LIBRARY OF CONGRESS.
HF1755
Chap. ..... Copyright No. .....
Shelf A87
UNITED STATES OF AMERICA.

TAXATION AND WORK

A SERIES OF TREATISES

ON

THE TARIFF AND THE CURRENCY

BY

EDWARD ATKINSON, LL.D., PH.D.

"To lay with one hand the power of the government on the property of the citizen, and with the other to bestow it upon favored individuals to aid private enterprises and build up private fortunes, is none the less a robbery because it is done under the forms of law and is called taxation."

JUSTICE MILLER, in Loan Association *vs.* Topeka (20th Wallace, 655).

COPYRIGHT OCT 5 1892 37162 X

G. P. PUTNAM'S SONS

NEW YORK — 27 WEST TWENTY-THIRD STREET

LONDON — 24 BEDFORD STREET, STRAND

The Knickerbocker Press

1892

HF1755
.A87

Copyright, 1892
by
EDWARD ATKINSON

Entered at Stationers' Hall, London
By Edward Atkinson

Electrotyped, Printed, and Bound by
The Knickerbocker Press, New York
G. P. Putnam's Sons

CONTENTS.

CHAPTER		PAGE
	INTRODUCTION	v
I.	OCCUPATIONS. DISTRIBUTION OF PRODUCTS	1
II.	TAXATION MEASURED BY WORK	6
III.	TAXATION MEASURED IN MONEY	10
IV.	PRINCIPAL SOURCES OF REVENUE	17
V.	HOW THE TARIFF SHOULD BE REFORMED	22
VI.	TAXATION WHICH THE GOVERNMENT DOES NOT RECEIVE	26
VII.	BRITISH TARIFF REFORM	32
VIII.	BEGGARLY COMPENSATION OF UNITED STATES OFFICIALS	39
IX.	WHAT IS PROTECTION?	45
X.	OCCUPATIONS THAT CANNOT BE PROTECTED BY DUTIES ON IMPORTS	53
XI.	METHOD OF TARIFF REFORM	57
XII.	PROTECTION BY EXEMPTION FROM TAXATION	61
XIII.	FREE TRADE THE OBJECTIVE POINT	69
XIV.	ATTEMPTED DEFINITION OF THE PRINCIPLE OF PROTECTION BY SENATORS SHERMAN, HOAR, AND ALDRICH	76
XV.	HAMILTON'S POLICY	85
XVI.	TARIFF PROTECTION DOES NOT RAISE WAGES	93
XVII.	PROTECTION PROMOTES WAR; FREE TRADE PROMOTES PEACE	104

CHAPTER		PAGE
XVIII.	Does Tariff Protection Promote Liberty?	113
XIX.	Progressive Reduction of Duties	123
XX.	Cost of a High Tariff	131
XXI.	Development by Free Commerce	145
XXII.	High Wages and Low Cost	159
XXIII.	The Use of Machinery by Nations	170
XXIV.	The Waste of Armies	180
XXV.	Senator Morrill's Report on Canada Received. Food and Wages	193
XXVI.	Silver, Bi-Metallism and Free Coinage	205
XXVII.	Volume of Trade	220
XXVIII.	Taxation by Bad Money	233
XXIX.	How to Maintain Silver Equal to Gold	242
XXX.	The Issue Joined	250
XXXI.	Personal Observations—Conclusion	261
Index		277

INTRODUCTION.

THE principal difficulty in dealing with the tariff question in recent years has been due to the fact that the evils of a bad system of collecting our national revenues are concealed. That is the fault of almost every system of indirect taxation. Those who suffer the most do not know what hurts them. There are also great numbers of people upon whom the burden falls but lightly who would even prefer to pay a larger sum by indirect taxation "unbeknownst-like," than to be obliged to submit to a direct assessment like that by which our State and municipal taxes are collected.

The total amount of direct taxes for the support of State, county, city, and town governments is less than the total contribution of the people to the support of the national government, and yet these lesser but direct contributions are subjected to a sterner investigation than those which are contributed to the nation. We also get proportionately more for our money through the State and municipal governments than we do from what we pay for the support of the nation, bad as the expenditures in a few of our great cities may be.

The objects for which State and municipal governments are permitted to tax the citizens are very strictly limited, and in almost all the States a limit has been fixed beyond which cities and towns may not incur any obligations for

any purpose, without making out a clear case of necessity and securing specific legislation thereto. The rule laid down in the Supreme Court in the decision rendered by Judge Miller, to which reference is made in the subsequent treatises, limiting the power of taxation to public purposes in the strictest sense, has been rigidly applied by the courts to States, towns, and cities.

On the other hand, national extravagence and what are singularly named "liberal appropriations," at the cost of tax-payers, receive support from small classes of very influential persons, and are treated with indifference by the great mass of the people. Subsidies and bounties to private undertakings are advocated and justified which would not be tolerated for a moment in any State or city administration.

The expenditures of the government of the United States in the fiscal year ending June 30, 1891, after deducting the sum recovered from postal receipts, amounted to a little over five dollars per head of the population. These taxes are mainly collected upon articles of common use, and they fall like the dew of heaven upon rich and poor alike in substantially even proportions according to number rather than by ability to pay. The consumption of wool and woollens, of cotton fabrics, of iron and steel, and other materials, of leather and lumber, of spirits, beer, and tobacco, and of all other articles from which revenue is collected in any considerable measure, is very much more uniform than the distribution of property, real or personal, and also very much more uniform than the incomes of the people.

If these national taxes were assigned to the several States, to be included with their own assessments, and collected under a system of direct taxation, even at the per capita rate of five dollars a head, the utmost scrutiny

would be applied to the expenditures to which this vast sum of money might be applied. It is very certain that under such conditions bounties to sugar planters would not have been granted; the purchase of silver bullion at the cost of the tax-payers would be stopped; the proposition to build a great fleet of useless battle-ships would receive no consideration; and the improvement of some obscure harbors in order to make them navigable for cat-boats, or the excavation of the channels of some rivers which are of no national importance, would not even be suggested.

The time had come when it became necessary to force the masses of the people of this country to give their attention to the methods of collecting and expending the national revenues. Two events have enforced the right attention. The tariff message of Grover Cleveland and the principles laid down therein have challenged the attention of the country, and will be sustained. The other event, which might not have sufficed to command general attention, except for the courageous act of President Cleveland, is the enactment of the McKinley bill.

It is an old and trite but yet true saying, that "whom the gods would destroy they first make mad." The McKinley bill, framed for the purpose of carrying into effect a so-called policy of "Protection with incidental revenue" contains within itself the germs of its own destruction. Public attention having at length become aroused to the importance of this subject, the demand for the facts in the case has become imperative.

In the series of treatises which are reprinted in this volume, which first appeared in the *Boston Herald*, the *New York Times*, and other daily papers, I have endeavored to make an impartial statement of the account of the United States Government with the people; I have also

endeavored as far as might be in my power, to bring the bearing and effect of our present system of taxation into conspicuous notice. Two official documents will soon appear by which my deductions and my conclusions may be tried.

First, the exhaustive investigations of Commissioner Carroll D. Wright when fully reported will enable every one to discriminate between the rate of wages, or what may be called the price of labor, and the cost of that labor in each unit of product. It has been customary to deal with these two elements as if they were the same, as if a low cost of labor per unit of product necessarily ensued from a low rate of wages. In fact, the very reverse is apt to be true; to wit, as stated in the treatises, high wages in money, or in what money will buy, are a correlative or result of a low cost of production per unit of product.

When this principle of high wages corresponding to low cost of production is fully comprehended, the whole basis of the discussion of the tariff question will be profoundly altered. The most pronounced advocates of a policy intended for or directed toward the promotion of domestic industry, the protection of American labor, and the development of the home market, may find themselves almost before they are aware of it advocating radical measures of what is now called Free Trade; that is to say, urging the abatement of all duties except those which are imposed for the sole purpose of collecting the necessary revenue with the least interference with the freely chosen pursuits of the people.

The second report, which may even convert some of its promoters who least expect such an influence from it, will be the report which is now being drawn up under the direction of the Finance Committee of the United States

Senate upon the course of prices and wages in this and other countries for a long term of years.

The writer ventured to give in advance the necessary conclusions which will be derived from this report whenever it is made,[1] to some of the members of the Senate Committee when they were first laying out their work for this investigation. This report will prove that in this and in all other countries in which modern mechanism has been applied, or which have been opened to commerce by the railway and the steamship, the prices of the necessaries of life, with a few exceptions (the most notable exception being the products of the forest), have fallen and are now almost as low everywhere as they were in a few States most abundantly supplied fifty years ago; quick and ready intercommunication among nations having substantially equalized prices the world over. This general tendency to a reduction in the prices of the necessaries of life has been subject to temporary upward fluctuations, especially under the influence of the Civil War in the United States and the disturbance of the world's monetary system which ensued then and for a time thereafter. This fall in prices has been as great if not greater in countries like Great Britain, in which there is no protective element in the tariff, as it has been in the United States under the highest tariff ever imposed, or in France or Germany under a highly protective system.

Again, this report will prove that there has been a steady rise in the general rates of wages in this and all other countries. Specific exceptions will be found, because the general rise in rates of wages has been accompanied by a tendency of cities and towns to increase in population at the cost of the rural districts. Certain parts

[1] Since the above was written the Finance Committee has presented its Report in July.

of cities have become congested, and the problem of dealing with this lesser element or problem in what is known as "the labor question" has become one of greater and greater complexity. This report proving a general reduction of prices and a general rise in the rate of wages, without regard to the tariff system of each or either country, will be quoted in support of one theory as well as the other, by the advocates of a high tariff and of a low tariff and by the representatives of tariff Protection and of Free Trade.

But this report will probably contain one final summary which will be of the utmost service in the discussion of the tariff question; or, if the report does not contain the table indicated hereafter, it will be very easy to make such a table from the data that will be given in it.

The evil effect of duties upon the imports of crude and of partly manufactured materials consists in causing the price of these materials to be *relatively* higher year by year, or at the same date in the country which imposes such duties, than in countries in which they are free of taxation.

The way to prove this will be to give lists of the prices at wholesale of all the crude materials which enter into the process of manufacturing, and of all the principal articles of food in two or three of the chief markets of Europe and in two or three of the principal cities of the United States, putting between these columns of prices the rates of duty which may have been imposed upon each of these commodities by each country in each and every year covered by the record.

From this comparison, line by line, and year by year, the effect of each tariff of either country upon the relative cost of the materials which enter into the process of manufacturing and of the principal articles of food, will be fully disclosed. This table will enable every one to determine in the simplest and surest manner whether true

Protection for domestic industry can be most fully assured by exempting materials and food from every form of taxation, or by putting heavy taxes on materials and food which may be of foreign origin to the relative disadvantage of the country that imposes the tax. This table will also enable every one to determine whether the McKinley bill protects the industry of this country, or whether it promotes the manufacturing supremacy of other countries.

When the tariff question is brought down from the glittering generalities and the specious and plausible arguments commonly presented, to this simple question of the relative condition in which it places the workmen of each and every country, the conclusion of the discussion and the final decision will not be far off.

The first step has been taken at the Republican convention for bringing about a repeal of the McKinley bill, and for substituting a well-adjusted measure of tariff reduction. This may not be what was intended either by the Committee on Resolutions, or by the Chairman of the Convention, Mr. William McKinley, Jr., himself. The framers of the resolution may not comprehend its purport any more than Mr. William McKinley, Jr., comprehends the tariff question.

The plank in the Republican platform on the tariff, if logically construed, would render it necessary to bring in a more radical searching, and complete measure for the repeal of the McKinley tariff, and the enactment of a very low tariff, than has been contemplated by any judicious person in the Democratic party. The resolution of the Republican platform is as follows:

"*Resolved*, That on all imports coming into competition with the products of American labor should be levied duties equal to the difference between the wages abroad and at home."

Whatever may have been the intention of the framers of that resolution, if it were carried into effect, it would bring about a reduction in the duties imposed under the present tariff more rapidly than has been contemplated either in the Morrison bill, the Mills bill, or any other measure that has been framed by the promoters of tariff reform. This resolution will bring the discussion out from the glamour of crude theory down to simple questions of fact.

Throughout the campaign about to ensue every Republican speaker should be compelled to adhere to the terms of this resolution, and to deal with the problem of tariff reform consistently with it in a broad and general way, subject to exception only in respect to the finer fabrics which depend upon style, fashion, and fancy for their sale.

The labor cost of manufactured goods aside from the cost of materials, general expenses, and other charges, ranges from twenty per cent. in coarse textile fabrics up to thirty and thirty-five per cent. on the medium grades of this class of goods on which so large a part of taxation is imposed. In respect to articles made of metal, the labor cost ranges from twenty-five to fifty per cent.; in some relatively unimportant articles like watch-springs it is more. Materials are assembled from all parts of the world, but in dealing with a protective tariff, whether we are dealing mainly with the labor cost in the factory or in the workshop, it must be remembered that our duties are now imposed on the gross value, including not only labor but materials and general expenses, and in many instances in the McKinley tariff bill the duties exceed one hundred per cent. upon the gross value.

Any one who affirms that these duties were adjusted to compensate for any difference in labor will have to meet the charge of insincerity or absurdity. Even if a

difference in the rates of wages such as has been proved to exist in this series of treatises corresponded to a similar difference in the cost of labor, the general rate of duties in the McKinley bill would have to be reduced more than one-half to make it consistent with the tariff plank in the Republican platform. In a broad and general way, counting the labor cost at one-third of the fabric and computing the foreign labor cost at one-half what it is here, which would correspond to the utmost claim ever made, even then a rate of duty of fifteen to twenty per cent. would correspond to the terms of the tariff plank in the Republican platform.

In other words, when the taxes are removed from the crude and partly manufactured materials which are necessary in the processes of our domestic industry, we shall compete either on even terms or at an advantage with other countries. When that time comes, the application of the Republican plank may only be made to the labor cost in the factory or workshop; the attempt to compensate for an alleged difference in the labor cost of materials being a manifest absurdity. When the question is narrowed down to a definition or measure of the difference in wages between this and other countries, nothing will be found of any material importance upon which a duty exceeding twenty-five per cent. could be justified, and even that would be an unreasonable concession to the fear of immediate competition rather than a rate that could be justified on any actual difference in labor cost where any exists. Mr. E. B. Bigelow, the framer and chief promoter of the present tariff on wool and woollens in its first phase, was fully cognizant of these facts when he said that "any branch of industry which could not be sustained by a protective tariff of twenty-five per cent. ought to cease to exist."

The promoters of McKinleyism may be compelled to meet this issue by the simple question, *What is the exact difference between wages abroad and at home in each important class of goods upon which duties are now assessed?*

The first questions to be put to those who may support the McKinley bill in disregard of this plank in the Republican platform may well be these: Dealing in the first instance with the imports in Class A, "*Articles of food and live animals*," each man should be asked, What is the difference in labor between the wages abroad and at home in the production of breadstuffs? Of course, no honest man can reply except by saying that the element of wages in the production of breadstuffs in the United States is less than it is in any other country, whatever the rate may be. Therefore, according to this Republican declaration, breadstuffs should be put at once into the free list. The next question should be—What is the difference between the wages abroad and at home in the product of provisions, including meat, butter, and cheese? When the resolution laid down in the Republican platform is applied to these articles they must be put at once into the free list. The same rule will apply to vegetables. The malignant duty upon potatoes is not and cannot be justified by any difference in the wages of the labor cost of the production of potatoes between this and any other country.

Passing next to Class B, "*Articles in a crude condition, which enter into the various processes of domestic industry*," on the first application of the principle laid down in the Republican platform, which states that there should be no duty on any product, except one equal to the difference between wages at home and abroad, we must immediately put coal and coke into the free list. Next, the duty upon iron ore must immediately be removed,

because wages in Pennsylvania, according to the sworn statements of the owners of the mines give the cost of labor in each ton of iron ore at seventy-five cents per ton: the present duty is seventy-five cents per ton; that is to say, it is one hundred per cent. more than it should be according to the Republican tariff resolution, for the reason that the labor cost in the production of iron ore, especially at the point of largest production in Pennsylvania, is less than it is anywhere else in the world from which any supply of ore could be derived.

When the principle laid down in the Republican platform is applied to pig-iron, it will be necessary to reduce the present duty lower than has yet been proposed in any measure submitted by the Democrats, if not to take it off altogether. The one difficulty in the matter is this, with reference to pig-iron and steel ingots, there is not a member of the Republican Committee on Ways and Means, which framed the McKinley bill, including Mr. McKinley himself, who can state what the difference is between the wages abroad and at home in the production of pig-iron and ingot steel.

The allegation has been made that most careful consideration was given in framing the McKinley bill to this element, and that it was framed to meet the terms and conditions of what is now the principal plank in the Republican platform. This statement is not true in fact, whatever the intention of the framers may have been. The bill is wholly inconsistent with this rule.

There are many places in this country where the difference between wages at home and abroad in the production of pig-iron and steel is in favor of this country: this cost of labor is less, and in some places the rates of wages are less, than in some places in Europe. Both articles are made in a large way, if not universally, at a less labor cost

in this country than they are now in other countries. This is proved by the fact that the representatives of the principal works, where it is well known that these products are made at least cost, have not disclosed the facts to Commissioner Carroll D. Wright. Therefore, while his answers to this question may show a slight excess in the labor cost in this country as compared to others, such is not the fact. If the facts were disclosed as to the cost of labor of iron and steel at the most favorable points in this country, in the largest and most effective works, they would prove that under the application of the principle laid down in the Republican platform, pig-iron and crude steel should be put at once into the free list because this advantage in labor is with us.

Dealing next with the article of wool, the difference between the wages in this country, say in Texas and other parts of this country where sheep are raised in great flocks, in comparison with Australia and New Zealand, even in rate is in our favor, if lower rates are favorable. The rate of wages in Australia and New Zealand is higher, whatever the labor cost may be.

There is, however, not a single man who sustains the McKinley act, or among its framers, who can tell what the labor cost of wool is in any one season in this or in any other country, because it varies so greatly, season by season.

There is not a man on the Republican side who can sustain the duties on wool consistently with the principle which is laid down in the Republican platform. If they apply that principle they will only be compelled to put wool and a great variety of woollen and cotton goods into the free list.

In fact, the application of the Republican principles laid down in the platform for an adjustment of duties to

the difference in labor between this and other countries, would result in a measure of too revolutionary a kind to warrant the approval of any judicious man, under the present conditions to which the long existence of a very high tariff has brought many arts in this country. This strict application would bring about a more rapid approach to absolute Free Trade in the English use of that term, than would be wise or safe under any single measure, or by any single act of legislation.

Under these conditions it would be judicious for all advocates of tariff reform who desire to follow that single issue safely and surely, to put the candidates on the Republican side to the question for the purpose of determining several points:

FIRST, whether each one comprehends the plank upon the tariff in the Republican platform;

SECOND, whether or not they know or can get information from the leaders as to what the difference in labor between the wages abroad and at home actually is; and,

THIRD, whether they are in fact prepared to reduce the duties to that measure or to take them off wholly where the cost of labor is less in this than in any other country.

If Republicans are prepared to act on this resolution and to apply it according to its strict construction, the only work which will be left for the Democratic or Independent tariff reformers will be to prevent the Republican party from undertaking the reduction of the tariff in such a radical way as to promote a reaction that will be injurious to the whole cause of tariff reform.

EDWARD ATKINSON.

BOSTON, June 16, 1892.

TAXATION AND WORK.

CHAPTER I.

Occupations. Distribution of Products.

In *The Forum*, for September, 1891, the writer presented a condensed statement of the income and expenditure of the United States for the fiscal year ending June 30, 1889, in the customary form of an account current such as every merchant or banker renders to his correspondents who trust their money or merchandise in his control. It were well that the government of the United States should be held to the same form of accountability, as the national taxes are placed in its hands under the same conditions of trust.

Nothing is more common in public discussion, especially on the part of very sincere men who represent what is called Nationalism, Collectivism, and other more or less mild forms of Socialism, Despotism, or Communism, than to impute to the State the possession of an immense property which it should deal with in a so-called liberal manner. Again, nothing is more common than for shallow and unthinking men, even in business life, to advocate "liberal appropriations" by Congress for bounties, subsidies and expenditures of all kinds that are esteemed semi-public enterprises, but are in fact undertaken mainly if not wholly for private gain.

Now the State, in the sense in which that word is used to designate either the nation, or each separate member of the Union—or the city or the town—possesses no property except public buildings, which have been paid for out of taxes, and the unsold portions of public lands. The income of the State is wholly derived from taxation and all its funds are held in trust for the public service only. It can impropriate or become possessed of property only by way of taxation.

The very definition of a tax in the dictionary, by which a court must be governed in the construction of revenue acts, is "a rate or sum of money assessed on the person or property of a citizen by government for *the use* of the nation or state."

The definition of a duty is also "an impost, customs, tribute, or *tax*." Some persons hold that "a tariff is not a tax." A tariff is only a list of taxes or duties. There is no difference between a duty or a tax in law or equity, and no distinction can be made. All the fallacies about putting our burdens upon other nations by taxing imports may be set aside. A duty is a tax and all the taxes that the government receives the people pay; when such taxes are badly assessed the people may pay a great deal more than the government receives; or what is perhaps worse, many people may be deprived of the opportunity to apply their work in the most productive way by a bad system of taxation.

Taxation is but one of the several methods by which the annual product of the community is distributed. These methods of distribution are named: Rents, Profits, Interest, Salaries, Earnings, Wages, Stealings, and Taxes.

The annual product, which is the subject of such distribution, is the measure or result of the annual work, whether the work be mental, manual, or mechanical. It

corresponds to the effective work or exertion of productive energy of that part of the population which does the work, numbering about one in three of the population—such being the proportion occupied for gain. The aggregate of taxation—national, State, county, city, and town,—so far as the writer has been able to compute it, comes to about six or seven per cent. of the product; it therefore represents six or seven per cent. of the whole work of the community, to which all contribute in ratio to their consumption or use of subjects of taxation. National taxes, including postal service, come to more than one-half the total burden.

Out of our present population of over sixty-five millions (65,000,000) there are about twenty-three millions (23,000,000) who are at work in the sense of being "occupied for gain" in professional and personal service, trade and transportation, manufacturing, mechanic arts and mining, and agriculture. Their average earnings which are the measure of the value of their product may be at the rate of two dollars a day for three hundred days in the year—six hundred dollars' worth for each group of three persons. But there are a vastly greater number, probably ninety per cent. of all who are occupied for gain, who secure less than that sum than there are who secure more in the distribution of the product.

The average product of the whole working community—mental, manual, and mechanical—includes, of course, the share of the product which falls to capital as well as to labor—to the administrative as well as the working force. It represents a division of the total product at its final valuation by the total number who share the work in any way.

In 1880 the list of persons who were occupied for gain was made out under four titles and under each of these

titles the subdivisions were given. The subsequent variations in the ratio of one class to another have not been great. If we apply the proportions of 1880 to the working force of the present day, computed at 23,000,000 men, women, and young persons, we get the following results: These are approximately in each thousand persons the following divisions of occupations:

1.	Clergymen, lawyers, doctors, chief officers of banks, railroads, insurance companies, and the like, whose work is mental or administrative	40
2.	Merchants, tradesmen, hotel keepers, clerks, salesmen, saleswomen, etc	60
3.	Work of a collective kind conducted in factories and workshops, textile, iron or steel, machine shops, boots and shoes, etc., etc.	100
4.	Mechanical work of an individual order, carpenters, masons, blacksmiths, etc.	107
5.	Personal service—Domestic servants, draymen, railways and express, sailors, waiters, etc	131
6.	Laborers on farms, laborers not specified, and laborers in mines, etc	312
7.	Agriculturists—Farmers, stock raisers	250
	Total	1,000

I think that $600,000 worth of product is now the average annual value of the result of the average work of each thousand persons who are occupied for gain substantially in these proportions; upon each one of these two others depend. At this ratio our present annual product, measured in gold, comes to $13,500,000,000.

Every tax imposed by nation, State, town, or city is a demand on the community to give so many days' work to be devoted to the service of the State. If we adopt two dollars a day as the unit of labor by which to measure taxation, the analysis of the cost of the government of the United States may become a little more interesting to the masses who are taxed "unbeknownst like" for its support, it being observed that all so-called "indirect" taxes, that is to say, all taxes which are put upon articles

which enter into common consumption, are paid by consumers in proportion to their consumption of such articles.

It being assumed that no great change has occurred in this distribution of occupations since 1880, the present numbers who bear the burden of taxation are as follows:

Class 1.	Clergymen, lawyers, administrative officials of corporations, etc., etc.	920,000
Class 2.	Merchants, clerks, and other distributors	1,380,000
Class 3.	Factory operatives and others in collective work	2,300,000
Class 4.	Mechanics working individually rather than collectively	2,461,000
Class 5.	Personal service of all kinds	3,013,000
Class 6.	Laborers	7,176,000
Class 7.	Farmers	5,750,000
		23,000,000
	Computed population over	65,000,000

If the joint product of this great body by whom the work of the country is done can be computed at two hundred dollars' worth per head, or at six hundred dollars' worth for each one of the twenty-three million persons by whom the work is done, then that product is the source from which all rents, profits, interest, salaries, earnings, wages, stealings, and

TAXES

are derived. Taxation and work are therefore synonymous terms or different words for the same thing.

CHAPTER II.

Taxation Measured by Work.

In the previous chapter an approximate computation was given of the value of our annual product. Given a certain measure of such product—then it follows that by so much as some persons secure a larger share of the whole —by so much must the share of the others be reduced. The share or proportion which must be assigned to the support of government is taken from those who do the work of the country in proportion to consumption and not in ratio to the work done. The case may be stated in other terms. A certain part of every person's work must be devoted to the support of the government, and since the revenues are derived mainly from the taxation of articles of common consumption, therefore the cost of government is put upon the people in proportion to their consumption of the subjects of taxation rather than in proportion to their personal incomes.

THE CASE STATED.

In order to make this case of Taxation and Work clear, we will first give a statement of the expenditures of the government in the fiscal year ending June 30, 1891, measured by men's work for one year of three hundred days at two dollars per day; we will then deal with the subject by the customary method in terms of money. It might be suitable to make this computation at a less rate per day, since national taxes upon articles of common consumption

are paid in largest measure by people of moderate incomes of less than $600 for each working group of three, or less than $1,000 for each family of five. It is probable, to say the least, that the actual cost of government when stated in terms of work would be one-fifth greater in number of men occupied in each year, than the figures which are given in the subsequent tables. This will become apparent by recurring to the sorting of occupations in Chapter I., taking observation of the great proportions of laborers, mechanics, factory operators, and persons engaged in personal service as compared to all others.

The best way to put this case is in the customary form of an account current.

The United States, Debtor to the People.

	Worth of work.	By men numbering.
For work done for the support of the Civil Service, Legislative, Financial, Judicial, Executive, etc.	$103,360,086 40	172,266
For the support of Army, Forts and Guns.	39,800,799 74	66,335
For the support of Navy	15,867,390 53	26,465
For the construction of Ships of War	10,609,197 15	17,682
For the improvement of Rivers	8,760,464 71	14,600
For the improvement of Harbors	3,490,162 52	5,817
For the interest on the Public Debt	37,547,135 37	62,578
For the refund of Direct Taxes to States	11,521,496 92	19,202
For the Pensions: First Payment and Pension Roll	124,415,951 40	207,860
For the Surplus applied to Payment of Debt	37,239,762 57	62,966
For the Postal Revenue	65,931,785 72	109,886
Total	$458,544,233 03	764,257

Which sum represents the work of 764,257 men for one year of three hundred working days at two dollars per day each.

In other words, it required the full year's work of about 765,000 men to support the President, Cabinet Officials, Legislators, Judges, Tax Gatherers, Postmasters, Soldiers, Sailors, and others who perform the actual work of the government; including also the pensioners and the claim agents who batten upon them, and all others who get their living out of or by direct payment from the government.

In addition to this sum, under present laws the government will tax the people in the next fiscal year for some other purposes, to wit:

For the payment of bounties to sugar-planters and maple-tree tappers, about ten million dollars ($10,000,000) representing men's work for three hundred days at two dollars, to the number of.	16,666
For the purchase of four million dollars' worth of silver bullion per month, to be stored in the vaults of the Treasury, forty-eight million dollars ($48,000,000).....	80,000
	96,666

Adding these last items the facts will show about eight hundred and sixty thousand men now working for the support of the government and for the support of those to whom bounties are to be paid; or, what is nearer the truth, every one who is at work in every occupation is forced to continue the effort so much longer, or to work so much harder, as the cost of the government is in ratio to the total consumption of taxed articles by every one who does any work—mental, manual, or mechanical.

This cost represents nearly four per cent. of all the work that is done by all the people. The work done to support State and municipal governments is somewhat less. It may come to two or three per cent. When we get the full census figures we may secure a more adequate measure. In 1880 the writer computed the ratio of all taxation to product at about seven per cent. Since then the product has increased, but taxation has somewhat diminished, in ratio to the product. If the taxes were rightly framed and rightly spent we might not complain. Compared to other countries the burden is very light, although in many ways we do not get as much for our money, especially in cities,—but that subject is aside from my present purpose.

According to the Blue Book lately issued by the government, the total number of persons employed in its

service, omitting postmasters, was over 160,000, to whom must be added the men in the army and the navy, making a total of about 200,000. The number of mechanics and laborers who are employed upon public works cannot be computed.

In dealing with the cost of government in terms of work it will be observed that we may rightly compute the number occupied in the service itself and also the number occupied in making provision for their support. It is not held that the work of government is not necessary and conducive to production, but it represents so much energy diverted from actual production. If men actually governed themselves, then all who are now in the service would be producing something for personal use or exchange, and there would be no taxes to pay. The remission of work now exerted for and by the government would then be substantially that of a number of men considerably exceeding one million.

In other words, if there are now about 23,000,000 men, women, and children occupied for gain in all the arts of life, including the support of the government, we may very surely assume that very nearly if not quite five per cent. of the actual work or energy of the people is expended in the processes of the national government.

CHAPTER III.

Taxation Measured in Money.

WE may now deal with the public expenditures in the customary way in which a custodian of other people's money should render his account. In the vernacular a good many people desire to ask Uncle Sam what he has done with the product of their work. Uncle Sam replies in the following terms:

THE GOVERNMENT OF THE UNITED STATES,
In account with THE TAX PAYERS.

EXPENDITURES.

The total expenditure of the government in the fiscal year ending June 30, 1891, including the postal service, amounted to		$421,304,470 46
Recovered from postal service in compensation for carrying mails		65,931,785 72
Remainder		$355,372,684 74
Customs revenue returned in Rebates, Drawbacks, etc.		11,937,408 79
Net expenditure		$343,435,275 95
Amount of extraordinary expenditures in the specific year ending June 30, 1891, which will not recur again:		
Refund to States of Direct Taxes levied during the war	$11,521,496 92	
Cost of Eleventh Census	5,942,977 13	
		$17,464,474 05
Remainder representing the true cost of government for fiscal year ending June 30th, 1891		$325,970,801 90
Expenditures in that year which will recur and for which provision must be made from year to year, but which are not a part of the normal or true cost of government:		
Pensions a little less than one-third for first payments which once paid are final		124,415,951 40

The true pension roll or payments which are recurrent until death amounted to less than $80,000,000. It is probable that all claims under existing acts will have been audited before June 30, 1894, when all first payments will have been liquidated. The annual pension change will then fall off one-third or more.

True cost of government		$201,554,850 50
Expenses of a variable but continuous character, to be repeated year by year at the will of each Congress, according to the ability of the country to bear taxation:		
On Public Buildings	$4 811,822 16	
On Rivers	8,760,464 71	
On Harbors	3,490,162 52	
On Naval Vessels	10,609,197 15	
	$27,671,646 54	
Disbursements which will be ultimately recovered:		
Interest advanced on bonds issued to Pacific R. R., to be repaid by them and now recovered in part, year by year, and accounted for in the miscellaneous receipts of the Treasury, $5,408,871 12		
Sinking Fund Union Pacific R. R. $1,837,098 45		
Sinking Fund Central Pacific R. R. $481,191 25		
	$7,727,160 82	
Continuous expenditures on the whole lessening year by year:		
Interest on public debt	$32,138,264 25	
Indians, support of	8,527,469 01	
Soldiers' Homes, support of	3,599,199 81	
		$79,663,740 43
Normal or true cost of government which is not subject to any great variation and which is diminishing in ratio to population		121,891,110 07
Legislative Department	$7,471,598 44	
Executive Department	174,897 20	
State Department	2,170,047 47	
Treasury Department	29,216,319 86	
Interior Department	15,271,705 34	
Agricultural Department	1,797,147 16	
Department of Labor	143,682 50	
Department of Justice	810,112 74	
Judiciary	5,808,080 77	
Postal Deficiency	6,958,528 14	
Army	36,201,599 93	
Navy	15,867,390 52	
		$121,891,110 07

It will be observed that the true cost of the government was $121,891,110.07, and that the expenditures of a constructive order which will be constant for many years, varying and lessening in amount at the will of each Congress, were $79,663,740.43. These two sums taken together give all the expenditures which are of a recurrent description and which may be called normal, to which pensions are to be added:

Normal	$201,554,850 50
Pensions	124,415,951 40
Total	$325,970,801 90

Upon this analysis of the true expenditures of the fiscal years ending June 30, 1891, future expenditures may be predicated.

Having credited the government with these expenditures, we may now take up the debit side of the account.

Taxation and work are two names for the same thing. How much money's worth is to be charged to the government and what were the sources or subjects of taxation from which its revenue is derived are given below.

The subjects of taxation and the revenue from each class are concisely given in the Annual Report of the Bureau of Statistics of the Treasury Department upon imports entered for consumption

RECEIPTS AND THEIR SOURCES.

Customs Revenue.

SOURCES.	1890.	1891.
Duties on Merchandise—		
Class A—Articles of food and live animals.		
Animals	$651,126 00	$589,002 00
Breadstuffs	1,148,611 00	894,648 00
Fish	674,642 00	893,967 00
Fruits, including nuts	3,915,470 00	4,343,622 00
Provisions, including meat and dairy products	494,268 00	636,215 00

SOURCES.	1890.	1891.
Rice	1,632,078 00	2,006,258 00
Salt	394,215 00	408,790 00
Sugar and molasses	55,150,819 00	32,468,339 00
Vegetables	1,008,739 00	2,523,030 00
All other	748,286 00	782,503 00
Total Class A	$65,818,254 00	$45,546,374 00
Class B—Articles in a crude condition which enter into the various processes of domestic industry.		
Coal and coke	$712,630 00	$804,845 00
Flax, hemp, and other vegetable fibre	2,419,797 00	697,224 00
Hops	515,758 00	543,110 00
Iron and Steel—		
Ores	868,776 00	721,383 00
Pig-iron	995,032 00	550,902 00
Scrap iron	254,017 00	370,754 00
Steel ingots, cogged ingots, etc.	546,466 00	653,040 00
Lead ore, pigs and bars	50,701 00	822,901 00
Marble in block, rough or squared	251,501 00	250,369 00
Seeds—Castor, linseed, poppy, and garden	619,802 00	520,027 00
Wood—Pulp	177,339 00	216,893 00
Wools, raw and mungo, flocks, etc.	5,959,412 00	6,758,795 00
All other	689,449 00	735,141 00
Total Class B	$14,060,680 00	$13,645,384 00
Class C—Articles wholly or partially manufactured, for use as materials in the manufactures and mechanic arts.		
Cement	$435,631 00	$830,311 00
Chemicals, drugs, etc	4,653,683 00	4,431,446 00
Cotton thread, yarn or warp yarn, not on spools	409,346 00	425,575 00
Flax or hemp yarn or thread	342,826 00	363,982 00
Furs, dressed on the skin, and hatters' furs	1,071,072 00	1,312,001 00
Iron and Steel—		
Tin-plates	6,746,645 00	10,577,115 00
All other	2,203,933 00	1,830,640 00
Leather	957,575 00	985,089 00
Paints and colors	429,869 00	439,717 00
Silk, partially manufactured from cocoons, etc., spun silk, etc	265,949 00	627,804 00
Wood, manufactures of	1,203,490 00	1,149,132 00
Woollen and worsted yarns	1,270,087 00	1,141,557 00
All other	1,251,616 00	1,025,114 00
Total Class C	$21,241,722 00	$25,139,483 00

SOURCES.	1890.	1891.
Class D—Manufactured articles, ready for consumption.		
Books and other printed matter	$713,859 00	$621,606 00
Brushes of all kinds, etc	225,219 00	313,372 00
Buttons	665,146 00	525,949 00
Carriages, and parts of	158,509 00	209,291 00
Clocks and watches, and parts of	547,909 00	604,626 00
Cotton, manufactures of	6,783,438 00	8,721,944 00
Earthen, stone, and chinaware	4,005,745 00	4,660,477 00
Flax, hemp, etc., manufactures of	8,685,735 00	7,935,059 00
Glass and glassware	4,215,839 00	4,532,220 00
Iron and Steel—		
Cutlery	1,139,766 00	861,076 00
Machinery	1,232,267 00	1,255,661 00
All other	1,397,270 00	1,439,600 00
Leather—Gloves and other manufactures of	2,838,628 00	3,159,924 00
Metals, not elsewhere specified, compositions and manufactures of	1,152,949 00	2,390,394 00
Paper, and manufactures of	542,393 00	871,519 00
Straw, manufactures of	22,775 00	247,192 00
Wood, manufactures of	640,646 00	822,102 00
Wool, manufactures of—		
Carpets and carpeting	790,754 00	829,064 00
Cloths	11,702,134 00	10,537,969 00
Dress goods	16,490,948 00	16,616,302 00
Flannels	854,813 00	295,293 00
Wearing apparel—		
Clothing, ready-made, cloaks, dolmans, etc	1,010,134 00	1,524,947 00
Hats	5,236 00	12,511 00
Knit fabrics	1,242,656 00	779,099 00
Shawls	628,043 00	509,162 00
Webbings, gorings, etc	359,038 00	300,577 00
All other wearing apparel	2,587,681 00	2,104,807 00
All other	2,197,673 00	1,655,327 00
Total class D	$72,837,203 00	$74,397,070 00
Class E—Articles of voluntary use, luxuries, etc.—		
Art works—Painting and statuary	$445,934 00	$287,807 00
Cotton laces, edgings, and embroideries,	4,498,785 00	5,799,291 00
Fancy articles—		
Dolls and toys	727,168 00	776,781 00
Feathers and downs	465,226 00	447,581 00
Feathers and flowers, artificial	589,638 00	670,736 00
Perfumery, cosmetics, and toilet articles	283,579 00	300,618 00
Pipes and smokers' articles	173,484 00	233,373 00
All other	844,679 00	378,914 00
Firecrackers	273,001 00	439,520 00

SOURCES.	1890.	1891.
Flax and Hemp—		
Laces, edgings, embroideries, etc....	434,201 00	1,078,195 00
Jewelry and precious stones.....	1,466,131 00	1,505,803 00
Liquors—		
Malt liquors and extract.....	726,683 00	835,922 00
Spirits, distilled	3,129,424 00	3,437,571 00
Wines	4,662,004 00	5,147,765 00
Musical instruments.....	432,882 00	475,203 00
Silk, manufactures of—		
Dress and piece goods	5,370,098 00	5,225,348 00
Handkerchiefs.....	105,138 00	323,470 00
Laces, embroideries, etc.....	1,907,596 00	1,797,205 00
Ribbons.....	1,026,593 00	896,765 00
Velvets, plushes, etc.....	2,535,244 00	2,843,264 00
Wearing apparel.....	626,545 00	1,429,481 00
Webbing, goring, suspenders, etc.....	180,901 00	360,759 00
All other.....	6,927,690 00	5,857,068 00
Tobacco and manufactures of.....	13,317,368 00	16,172,277 00
All other.....	209,255 00	341,658 00
Total class E.....	$51,359,217 00	$57,062,375 00
Total duty collected—		
Regular.....	$225,317,076 00	$215,790,686 00
Additional and discriminating.....	*a* 1,222,961 00	*b* 1,095,015 00
Total dues collected on merchandise....	$226,540,037 00	$216,885,701 00
Tonnage tax.....	565,860 10	520,333 46
Miscellaneous.....	2,562,687 47	2,116,170 77
Total customs revenue.....	$229,668,584 57	$219,522,205 23

a Of this amount $1,102,645 was duty equivalent to internal revenue tax.
b Of this amount $974,360 was duty equivalent to internal revenue tax.

INTERNAL REVENUE.

Tax collected on—		
Spirits	$76,539,002 62	$79,626,093 51
Tobacco	32,443,509 92	32,573,735 74
Fermented liquors..... .....,	25,494,798 50	28,192,327 69
Oleomargarine.....	619,205 72	871,488 44
Special taxes on manufacturers, dealers, etc., and miscellaneous.....	7,510,189 05	4,422,604 06
Total internal revenue.....	$142,606,705 81	$145,686,249 44

POSTAL SERVICE.

Revenue from.....	$60,882,097 92	$65,931,785 72

MISCELLANEOUS.

SOURCES.	1890.	1891.
Profits on coinage, bullion, deposits, and assays	$10,217,244 25	$7,701,991 82
Sales of public lands	6,358,272 51	4,029,535 41
Fees—Consular, letters-patent, and land,	3,146,692 32	3,019,781 84
The District of Columbia	2,809,130 93	2,853,897 74
Sinking Fund for Pacific Railways	1,842,564 52	2,326,359 37
Tax on national banks	1,301,326 58	1,236,042 60
Customs fees, fines, penalties, and forfeitures	1,299,324 52	966,121 82
Repayment of interest by Pacific railways,	705,691 52	823,904 04
Sales of Indian lands	372,288 15	602,545 38
Nashville and Chattanooga Railroad Company	.....	500,000 00
Soldiers' Home, permanent fund	308,886 99	308,648 34
Immigrant fund	241,464 00	292,271 00
Tax on seal skins	262,500 00	269,673 88
Sales of government property	192,123 99	259,379 05
Deposits for surveying public lands	112,314 79	131,422 80
Sales of ordnance material	.....	122,668 01
Sales of condemned naval vessels	.....	78,037 36
Depredations on public lands	35,852 37	55,905 83
Other miscellaneous sources	1,600,014 81	1,825,806 35
Total miscellaneous	$30,805,692 25	$27,403,992 64
Total receipts	463,963,080 55	458,544,233 03

CHAPTER IV.

Principal Sources of Revenue.

The startling fact which appears upon the first analysis of the sources of the national revenue is that what are known as the miscellaneous permanent receipts of the government which are derived from other sources than the ordinary internal and customs taxes, averaging twenty-five million dollars a year, when combined with the revenue from domestic and imported liquors and tobacco, sufficed to cover, within a small fraction, all the expenditures of the government of every name and nature except the disbursements for pensions in the fiscal year ending June 30, 1891, and will more than suffice for the same purposes in the present fiscal year which will terminate June 30, 1892.

In other words the revenue now derived from miscellaneous permanent receipts is now in excess of the interest on the public debt and the revenue from liquors and tobacco is now in excess of the disbursements for the civil service,—the judiciary, the army, the navy, public buildings, fortifications, the construction of naval vessels, rivers, harbors, the support of Indians and even the probably unconstitutional and wholly unlawful misappropriation of the revenue to bounties to sugar planters and maple-tree tappers.

In dealing with the figures of this account we may first put down what are called the miscellaneous perma-

nent receipts. They consist of the sales of public lands, consular fees, interest in part recovered, and contributions to the sinking fund of the Pacific Railways, incomes from trust funds for soldiers' homes, sales of government property, taxes on property in the District of Columbia, profits on coinage, and some other small matters; to which may be added bank taxes, taxes on oleomargarine, and other internal revenue receipts distinct from liquors and tobacco; all of which amounted in the fiscal year ending June 30, 1891,

To	$28,392,877 55

The revenue attributable to liquors and tobacco in the same fiscal year was as follows:

Internal Revenue, spirits	$ 83,335,963 64
Customs Revenue, spirits	3,437,571 00
Customs Revenue, wine	5,229,833 00
Internal Revenue, beer	28,565,129 92
Customs Revenue, beer	835,922 00
Internal Revenue, tobacco	32,796,270 97
Customs Revenue, tobacco	16,172,277 00
Total revenue from liquors and tobacco	$170,372,967 53
Total with permanent receipts	$198,765,845 08

By reference to the previous statement of expenditures in Chapter III., it will be observed that the normal expenditures of the government in the same year were

Cost of government, rivers, harbors, naval vessels, Indians, interest on debt, and all other disbursements of a recurrent kind except for pensions	$201,554,850 50
The deficiency of revenue from liquors and tobacco and permanent sources was only	2,789,005 42

The miscellaneous permanent receipts have not varied greatly for many years. The average revenue from liquor and tobacco—

From 1871 to 1880, was	$112,000,000 00
From 1881 to 1890, was	142,000,000 00
In the fiscal year ending June 30, 1889, it was	148,883,778 00
" " " 1890, "	163,490,778 00
" " " 1891, "	170,372,967 00

It comes to between $2.60 and $2.70 per head.

On this basis the revenue from liquors and tobacco for the fiscal year ending June 30, 1892, will probably exceed	$180,000,000 00
The permanent receipts may be computed at	25,000,000 00
Total	$205,000,000 00

On the other hand, the interest account has been reduced about $5,000,000, so that if the present Congress shall not exceed the appropriations of the last, these sources of revenue, liquors, tobacco, and miscellaneous permanent revenues, will yield at least $15,000,000 in excess of all charges except pensions. This sum will more than cover bounties on sugar, if the Supreme Court permits such bounties to be paid.

The revenue from customs after deducting that derived from liquors and tobacco may therefore be dealt with as the source from which pensions are to be paid

In the fiscal year ending June 30, 1891, the total revenue from customs was	$220,488,327 05
Amount returned in rebates and drawbacks	11,937,408 79
True customs revenue	$208,550,918 26
Already set off against normal expense the customs revenue from liquors and tobacco	25,675,603 00
	$182,875,315 26
Duties removed under last tariff bill :	
Sugar $32,468,339 00	
Some other petty articles, which have been added to the free list, make the probable reduction of revenue through the remission of taxes	35,000,000 00
Balance	$147,875,315 26

On the other hand, the customs revenue may be computed for the fiscal year ending June 30, 1892, upon the supposition that the increased revenue now accruing from the advance in rates on tin-plates, wool and machinery, of which the imports are increasing, will more than offset the reduction of revenue due to the advance in rates upon other goods. The revenue from customs on other articles than liquors and tobacco for the present fiscal year may therefore be estimated at $160,000,000, which would correspond to the estimate of the Secretary of the Treasury.

Estimate of pensions as given by the Secretary of the Treasury.....	$125,000,000 00
Excess of customs revenue.....	$ 35,000,000 00

This excess may be applied to additions to the free lists, as we are far in advance of the requirements of the sinking fund for reduction of debt.

In dealing with the government account, the simplest way is to pay no regard to what are called the requirements of the sinking-fund act. It provides for nothing but a sort of hocus-pocus or juggle in bookkeeping, or in the method of keeping the national accounts. As a matter of fact the framers of the act never dreamed of the rapid payment of our debt; the liquidation is already far in advance of what they wished to secure.

In dealing with this excess, consideration may be given to the classification of dutiable imports with reference to their use, and for this purpose we may reverse the customary order, placing the articles which may be rightly subject to revenue duties at the head.

The following table gives the revenue from customs in the fiscal year ending June 30, 1891, omitting sugar, sisal, and other vegetable fibres, now on the free list; also omitting liquors and tobacco:

Class E—Articles of voluntary use, luxuries, etc., etc.	$31,386,772	00
Class D—Manufactured goods, ready for consumption.	74,397,070	00
	$105,783,842	00
These two classes more than cover the annual pension roll computed separately from arrears or first payments.)		
Class C—Materials partly manufactured, which are used in domestic industry, including tin-plates	$25,139,483	00
Class B—Articles in a crude condition, commonly called raw materials	12,948,160	00
Class A—Articles of food and live animals	13,078,035	00
Fines, Penalties and miscellaneous	3,731,599	23
Total	$160,681,039	23
Pensions estimated by the Secretary of the Treasury	125,000,000	00
Excess	$ 35,681,039	23
On the basis of the treasury estimates the excess could be appropriated to the abatement of duties on all articles of food, omitting fruits and nuts by which remission the reduction of revenue would be	$9,000,000	00
All articles in a crude condition could then be added to the free list	13,000,000	00
Abatement of taxes on tin-plates	11,000,000	00
	$33,000,000	00

and yet the excess would not be exhausted.

I am aware that this estimate of surplus differs in slight measure from the computations submitted by the Secretary of the Treasury. It may be remarked, however, that the conservative estimates of prospective revenue submitted by the executive officers of the Treasury for very many years have almost invariably been exceeded and that it is now apparent that even the estimates which I have taken in the present computations are already certain to be exceeded, even in the present fiscal year.

CHAPTER V.

How the Tariff should be Reformed.

In the previous chapter it has been computed that the present Congress in its second session may rightly deal with an excess of revenue above all expenditures of every kind, of $35,000,000 or more.

If in the interval, assurance shall be given that credit will no longer be shaken by a prospective debasement of the standard of value through the free coinage of silver dollars of full legal tender which are now worth after being melted less than seventy cents, this surplus income or revenue may be much larger.

It may be remarked that the revenues already received the present fiscal year fully warrant the expectation of a normal increase on liquors and tobacco, while the customs revenue may be largely in excess of the estimates upon which the above computations are made. It is almost certain, therefore, that the excess of revenue from liquors, tobacco, and permanent receipts in the fiscal years ending June 30, 1893 and 1894, will suffice to cover any increase in pensions above the estimate for the present year. In a recent hearing, the Commissioner of Pensions testified that pensions would reach the highest point under existing laws in the fiscal year ending June 30, 1894, and after that would diminish rapidly.

But it will be borne in mind that with the relief to domestic industry from the abatement of duties proposed

to the amount of $33,000,000, the duties on manufactured goods may also be considerably reduced; then with the ensuing prosperity and the great increase in the export of farm products (especially canned fruits and milk promoted by free sugar and tin-plates) of which free exports we already witness the beginning since sugar, sisal, manilla, and some other articles were put in the free list—our dutiable imports would be very greatly increased, because our general consumption can always be stimulated by a reduction in prices. At the same time wages would rise with the greater activity in manufactures, agriculture, and commerce.

Under these conditions, substantially all the partly manufactured articles which enter into the processes of domestic industry could very soon be added to the free list.

The alternative would be, after having put all articles of food and all crude materials into the free list, and having reduced the duty on manufactured goods in proportion to the reduction on materials, then to adjust the duties by a reduction by percentage, year by year, until we reached an equilibrium of expenditure with the income derived from liquors, tobacco, and dutiable imports of the nature of luxuries or of purely voluntary use.

Another method of tariff reform might be considered. One-half of the specified articles on which duties are now imposed, yield so insignificant a revenue, that if put into the free list the amount of tax abated would not exceed fifteen per cent. of the total revenue. This change would greatly promote commerce, and might diminish the cost of collecting customs even more than one-half.

The way to tariff reform is very plain—the will is not wanting—what is now needed is concentration upon a definite and consistent plan of tariff reduction.

The preparation of such a measure is a very simple matter, provided those who undertake to frame it proceed upon the rule that all taxes that the people pay the government should receive.

There have been three attempts to reform the war tariff of this country. The present system is intellectually dead; it lives only by a *vis inertia* and through an undefined fear of change. The Tariff Commission appointed by a Republican administration made one futile attempt. The Democratic Congress, which reported the Mills Bill, made the second effort. The last Congress brought forth a measure known as the McKinley Bill, which is the scorn and contempt in its dutiable list, even of a majority, or at least of a large minority, of those who voted for it.

The movement of the people is slow but sure. Every great reform in this country has passed through the same sequence of blind and misdirected effort, until at last when the time has arrived the true leaders have taken their places, and the reform has been accomplished.

The will of this people now is that taxation shall be reduced; that revenue measures shall be so framed that the government shall receive all the taxes that the people pay; that the civil service shall be maintained on the basis of honest and faithful service, without regard to party politics.

The Supreme Court of the nation has defined the principle of taxation by which Congress must in the end be governed. In Loan Association *vs.* Topeka, Justice Miller established the limits of taxation in terms that admit of no evasion (20th Wallace, 655).

"The power to tax is therefore the strongest, the most pervading of all the powers of government, reaching directly or indirectly to all classes of the people. This

power can as readily be employed against one class of individuals and in favor of another, so as to ruin one class and give unlimited wealth and prosperity to the other, if there is no implied limitation of the uses for which the powers may be exercised. To lay with one hand the power of government on the property of the citizen, and with the other to bestow it upon favored individuals to aid private enterprises and build up private fortunes, is none the less a robbery because it is done under the forms of law and is called taxation. This is not legislation. It is a decree under legislative forms."

The huge abundance with which this country is endowed, coupled with the continental system of absolute Free Trade among the several States, over a wider area and among a greater number of people than ever enjoyed such rights before, has saved us from any disaster like that in which the protective system culminated in Great Britain in 1840.

Yet signs are not wanted of a very false distribution of products — notwithstanding the rapid accumulation of wealth and the undoubted progress which has ensued in spite of the obstructions to commerce—great centres of poverty are found in our midst and great classes, especially in agriculture, are suffering from causes which they cannot define, and which in some instances they propose to remedy by measures which would be worse than the disease.

The one merit of the McKinley Bill was its free-trade part. The placing of sugar, fibres, and some other small articles upon the free list has already given an impetus to exports, which is but an example of what may follow in yet greater measure when a tariff for revenue is enacted which shall be so framed that all the taxes that the people pay the government will receive.

CHAPTER VI.

Taxation Which the Government does not Receive.

In dealing with the proposed remission of taxes on crude and partly-manufactured materials, consideration must be given to the relative burden of one class of taxes as compared to another.

In twelve years, 1880 to 1891 inclusive, the duties upon the imports of articles of luxury or of voluntary use, entered at a valuation at the port of shipment (disregarding fractions in this and the subsequent statements),

Of	$1,022,000,000	
Have yielded a revenue of		$575,000,000
Articles manufactured ready for consumption, valued at	$1,578,000,000	
Revenue		791,500,000
Articles of food (about four-fifths sugar and molasses) and live animals, valuation	$1,430,000,000	
Revenue		725,000,000
Total revenue		$2,091,500,000

So far, the duties upon these classes may be justified under the necessity for a revenue from customs, provided they are rightly adjusted.

It is to be observed that a very considerable part of the revenue which is derived from the import of textile fabrics is yielded by articles which are not of prime necessity. It is secured from kinds of goods that depend mainly upon fashion and fancy rather than upon utility for their

sale; these taxes may, therefore, do no injury to consumers even if for a time or even permanently continued at high rates of duty for revenue only.

In the same period of twelve years, 1880 to 1891 inclusive, the dutiable imports of crude materials, which are necessary in the process of domestic industry, valued at port of shipment,

At	$634,000,000	
Have been taxed		$182,000,000
Materials partly manufactured which also enter into the processes of domestic industry valued at	$838,000,000	
	$1,472,000,000	
Have been taxed		246,000,000
Total Tax		$428,000,000

This annual tax of about $35,600,000 has been but a small part of the excess of revenue which has been expended in the rapid payment of our national debt by the purchase of bonds before maturity at a high premium. This reduction of debt is a benefit, and may be set down as so much gain to the people.

The evils of these taxes are, however, manifold while the actual cost of their collection can hardly be measured. These evils consist in the following relative disabilities or additional charges upon consumers of sums of money which the people pay but which the government does *not* receive.

First.—In the maintenance of the prices of some of the most important materials which are consumed in domestic arts, year by year, above the prices of the same materials in foreign countries, whatever the actual prices of each year may be.

Second.—In depressing the prices of these same materials in other manufacturing countries by the obstruction to

the demand of this country which possesses the greatest purchasing power of any nation in the world.

Third—In diminishing the purchasing power of other nations in respect to the excess of our farm products, thus reducing the demand upon us and depressing the price of our excess which is necessarily sold for export upon which the price of our whole crop depends.

Fourth—In rendering it necessary to grant compensatory duties on the import of manufactures ready for consumption, in order to overcome in part the evil done to domestic manufacturers by the enhanced cost of their materials in consequence of this bad system of duties on crude materials.

Fifth—In the grave injury done to the workmen occupied in the special production of ores, pig-iron, wool, and other crude materials by the uncertainty of their occupation, by the import of foreign laborers for special service and in many other ways. Any advantages given by such duties being as a rule wholly secured by owners rather than by workmen.

It is of course impossible to measure the exact burden of the taxes which the people pay but which the government does *not* receive. The imposition of these taxes upon imports in Class B, crude materials, and in Class C, partly manufactured materials, vastly increases the burden of taxation while yielding a revenue which is insignificant in amount.

From the closest computation which I have been able to make, I should estimate it at nearly ten-fold the revenue derived from the import—or at a sum exceeding $326,000,000 each year—which is equivalent to doubling the normal cost of the government with the pensions added.

In justification of this estimate I will give a few examples.

First.—In respect to the maintenance of the prices of most important crude materials above those in other countries. Since 1880 there has been a very great reduction in the cost of producing iron and steel in this and all other countries, accompanied by a very great reduction in prices. By a very careful computation made by myself and by Mr. David A. Wells, the disparity in the cost of pig-iron only, to the consumers of this country as compared to consumers supplied from other sources in other countries, has amounted to $70,000,000 a year. The workmen in mines and laborers in furnaces have received no benefit from this interference; their actual earnings as a body are barely sufficient to support the life even of the imported laborers who constitute the majority of their number. There are a few exceptionally high-priced men in nearly every establishment. The disparity in the price of the higher forms of iron and of steel as compared to the lower prices in Great Britain has been much greater than on pig-iron. The evil effect of this tax upon coal, ores, and crude iron cannot be estimated at less than $100,000,000 a year, which is a handicap on all iron and steel consumers.

The effect of duties upon ores, coal, and crude iron has been to keep the average price of pig-iron several dollars per ton above the price in other countries, varying year by year with the urgency of the demand.

This excess of price has been in some years more than the duty in such years—being accompanied by imports in such years. In some years the excess of price has been less than the duty—then without imports except of some special qualities—the general result has been low wages to the miners and furnace workmen as a body, and large profits to a very limited number of iron masters. In the census year just reported, the iron miners of Pennsylvania

secured intermittent work by which they earned on the average $259 each per year for the whole year's work.

Second.—The effect of the duty upon wool has been very different. Wool is produced by very many flock owners and in many places throughout the world ; there is no such limit of numbers as that which affects iron mining, and no limit to a few places. Hence, when the imports of the wool of South America and Australia were obstructed by the duty imposed in the original wool and woollen tariff of 1867, the precise effect followed which was foretold by the opponents of that measure. The prices of wool in the two great markets of London and Antwerp were reduced in the lack of our demand—the manufactures of Europe were promoted at the expense of our own—the cost of foreign worsted and woollen goods was thereby reduced while our manufacturers being deprived of a proper mixing of wool, were limited to the fabrics to which American fleeces are adapted, which are also limited in variety. The price of American wool was lowered and yet the manufacturer was not protected. Imports of wool, and of fabrics at the artificially lowered prices, but at very high rates of duty, increased. These conditions, varying in different seasons, have continued to the present day. Thus the farmer has paid the cost of bad legislation by being forced to take a lower price for his wool and also to pay a higher price for his clothes. How much this double disadvantage costs in money cannot be even approximately computed, but it must come to a large sum annually.

The disadvantages under which we exist from the misdirection of our taxes are mainly confined to the two classes of duties treated in this chapter, *i. e.*, the taxes upon crude and partly manufactured articles. When these are removed, the manufactures of this country will

for the first time in the present generation be enabled to measure their own power.

As I have stated, I cannot compute the true cost of the duties which have yielded an annual average of $35,600,000 from taxes upon articles of necessary use at less than tenfold, or more than the entire cost of the government, including pensions. If any one contests this estimate, I shall be glad to know on what grounds.

Revenue duties on the other classes of manufactured goods, and upon articles of voluntary use as well as luxuries, will yield increasing revenues with the greater abundance, lower prices, and consequent increase in consumption.

This is not a theory, but a matter of observation and experience.

CHAPTER VII.

British Tariff Reform.

A very common but utterly erroneous idea prevails in this country that Great Britain only gave up the system technically called Protection when by means of this system she had attained conditions of great prosperity and a substantially commanding position in manufactures and commerce.

The very reverse is true; the protective system was given up by Great Britain under the pressure of pauperism and bankruptcy, in which it culminated in the years immediately preceding 1842, when Sir Robert Peel presented and carried his first great measure for the reform of the British tariff.

The origin of customs in England was in the time of Edward I.; thenceforward, duties were added and multiplied, each rate being devoted to a specific purpose, until in 1847 as many as fifteen separate duties were levied upon the same article. In 1787, William Pitt carried through an act for consolidation without reducing the number of articles taxed; this measure left twelve hundred articles subject to duty, and in order to bring the act into force three thousand resolutions were required in the House of Commons. In 1797, however, the laws relating to customs filled six large folio volumes, unprovided with an index. The great subsequent wars rendered nugatory all Pitt's efforts to relieve commerce; between 1797 and 1815—six hundred

additional acts were passed, and in fifty-three years of the reign of George III. the total number of acts relating to imports was thirteen hundred. At length taxes became so numerous that nothing was left untaxed; even premiums offered for the suggestion of fresh subjects of taxation failed to stimulate invention.

Another consolidation was begun which required twenty-five years for its completion. Then a third was undertaken under the direction of Mr. James Deacon Hume, and finally a fourth, which was enacted in 1833. All, however, worked changes in form rather than in substance, except that in 1824, under the lead of Huskisson, several of the crude materials necessary to British industry had been put into the free list, of which the most important was wool. This change had worked great benefit to both wool grower and manufacturer; the price of domestic wool advanced, while the manufacturer was enabled to reduce the cost of goods through the opportunity given him by freedom from taxation on imported wool to buy, sort, and mix his wool in the most effective manner.

The first decisive step in tariff reform was brought about in 1840 by the appointment of a Parliamentary Committee at the instance of Mr. Joseph Hume. The condition of the country was then desperate. The most concise account of the case is given in Noble's *Fiscal Legislation of Great Britain*, but all authorities—Liberal and Tory alike—are substantially at an agreement upon this point. It is written that "every interest in the country was alike depressed—in the manufacturing districts mills and workshops were closed and property daily depreciated in value; in the seaports, shipping was laid up useless in harbor; agricultural laborers were eking out a miserable existence upon starvation wages and parochial

relief; the revenue was insufficient to meet the national expenditure; the country was brought to the verge of national and universal bankruptcy.

"The protective system which was supported with a view to rendering the country independent of foreign sources of supply, and thus, it was hoped, fostering the growth of a home trade, had most effectually destroyed that trade, by reducing the entire population to beggary, destitution, and want. The masses of the population were unable to secure food, and had consequently nothing to spend upon British manufactures."

In dealing with the tariff, Hume's committee classified imports and the revenue derived therefrom under four titles, according to the use to which each subject of taxation might be put, and under each title the imports were classified again, according to the amount of revenue which was derived from each article. This table at once disclosed two facts, *first*, that a large part of the burden of taxation rested either upon necessary articles of food or else upon articles which were necessary component materials in British industry. *Second*, that the greatest number of specific articles taxed yielded a very small part of the revenue—more than half yielding such insignificant sums as not to pay the cost of collection. It was the logic of this table that led Sir Robert Peel to change his convictions in regard to the tariff policy and upon it his measures of reform were framed.

In 1885 the writer ventured to call the attention of Hon. Hugh McCulloch, then Secretary of the Treasury, to the bad form of our tariff acts, coupled with a corresponding bad form in the customary annual statements of imports and of the revenue derived therefrom.

In accordance with the writer's suggestions, the Secretary gave instructions for the adoption of the existing

classification and of the present forms of statement. Subsequently, under instructions from Secretary Manning, the annual accounts from 1880 inclusive were classified under the same forms, so that upon a single page of the annual report of imports entered for consumption which is issued by the Bureau of Statistics of the Treasury Department, one may compute at a glance the relative burden of taxation upon all classes of imports.

Some of the conclusions which are developed by the logic of these tables have already been given in this treatise.

At the very time when the protective system culminated in the desperate conditions of Great Britain in 1840, it will be observed that it was at the end of a period of profound peace which had lasted over twenty-five years, in which the personal wealth of the upper classes in Great Britain had become immense. When presenting his first measure of the tariff reform Sir Robert Peel remarked, after stating the deficit and the financial difficulties to be met: "You will bear in mind that this is no casual and occasional difficulty. You will bear in mind that there are indications among all the upper classes of society of increased comfort and enjoyment; of increased prosperity and wealth: and that concurrently with these indications there exists a mighty evil which has been growing up for the last seven years and which you are now called upon to meet." This evil was the increasing poverty and destitution of the great mass of the working people. The remedy was sought in a re-distribution of the burden of taxation. The tariff then covered 1,200 separate subjects of taxation, of which seventeen yielded ninety-four per cent. of the revenue; the rest were petty obstructions to commerce imposed for the purpose of "protection with incidental revenue." That purpose was not, however, avowed in these exact terms at that

time as it has lately been in this country by the advocates of McKinleyism.

In the first measure Sir Robert Peel wholly abated or reduced the duty upon a consistent plan on 750 articles, and also caused an income tax of seven pence in the pound to be put upon classified incomes, which is a fraction less than three per cent.; all incomes below £150 being exempt. From this income tax he anticipated a revenue of £3,770,000 in the first year. It yielded £5,100,000, conclusively proving that under the previous system, while the poor had been rapidly reduced to pauperism, the rich had become richer.

Like causes produce like effects. Under the pretext of protection to the miners of this country, and especially Pennsylvania, a duty has long been maintained upon the import of foreign iron ores; it is now seventy-five cents a ton, which is precisely equal to the labor cost of producing a ton of iron ore in Pennsylvania,—according to the sworn statements of the iron masters of Pennsylvania, by whom its iron mines are worked. The result of this system in the last census year,—a year of the greatest activity ever known—was that 4,410 iron miners and workmen secured an income of $259 each, amounting in all to $1,141,239. There are iron masters in the state of Pennsylvania, whose single incomes in a single year have exceeded the whole sum earned by the protected iron miners.

Where is the leader who will do what Sir Robert Peel did for England? Who is the legislator who will give up the errors of a life-time in the face of the logic of such facts and lead his political supporters to a conclusion which will give him a right to use the same words which Sir Robert Peel uttered, when he left office in 1847, after having carried the repeal of the Corn Laws?

"I shall leave a name sometimes remembered with ex-

pressions of good will in the abodes of those whose lot it is to labor and to earn their daily bread by the sweat of their brow, when they shall recruit their exhausted strength with abundant and untaxed food, the sweeter because it is no longer leavened by a sense of injustice."

The effect of the first measure of tariff reform in Great Britain—that of 1842—was not immediately perceptible, the evil effect of the previous conditions being very deep-seated; but before 1845 the beneficial influence upon every branch of industry, agriculture, manufactures, and commerce alike, had become so manifest that little opposition was met to Peel's second great act of tariff reform of 1845, by which four hundred and thirty articles, consisting of the crude and partly-manufactured materials which entered into the processes of domestic industry were put into the free list; the duties on the lessening number of dutiable imports being at the same time reduced and adjusted to these new conditions. In 1846 the Irish famine forced the abatement of all taxes upon food by orders in council, subsequently followed by the repeal of the Corn Laws.

In 1847 Sir Robert Peel left office, but the immense benefits to every branch of British industry rendered it a comparatively easy matter to bring the tariff substantially to its present condition in 1853, coupled with a repeal of the Navigation Laws under the lead of Mr. Gladstone. Since that date the people of the United States have been forbidden by their own acts to compete with Great Britain in the construction and use of ocean steamships, while the commercial flag of Great Britain dominates every sea under the beneficent influence of freedom from all restrictions, and by virtue of the protection which is given by exemption from taxation on all the materials used in the construction and in the subsistence of the vessels.

In the speech of 1842 in which Sir Robert Peel surrendered the conviction of a life-time of active political influence when introducing a reform of the whole fiscal system of Great Britain, he laid down the principle of which he had framed that measure in this memorable declaration:

"If we had to deal with a new society, in which those infinite and complicated interests which grow up under institutions like those in the midst of which we live, had found no existence, the true abstract principle would be 'to buy in the cheapest market and to sell in the dearest.' And yet it is quite clear that it would be utterly impossible to apply that principle in a state of society, such as that in which we live, without a due consideration of the interests which have grown up under the protection of former laws.

"While contending for the justice of the abstract principle, we may at the same time admit the necessity of applying it partially. I think the proper object is first to lay the foundation of good laws, to provide the way for gradual improvement which may thus be introduced without giving a shock to existing interests. If you do give a shock to those interests, you create prejudice against the principles themselves and only aggravate the distress. This is the principle on which we attempted to proceed in the preparation of the tariff."

This principle was justified by events—the most earnest opponents at the beginning became the most urgent supporters of the reform before its completion, giving Mr. Gladstone the reason for saying when reviewing these measures: "The road to Free Trade is like the road to virtue—the first steps the most painful, the last the most profitable." (I quote from memory.)

It would be difficult to state the rule upon which tariff reform should be conducted in this country in any plainer or simpler terms.

CHAPTER VIII.

Beggarly Compensation of United States Officials.

A few words may now be rightly given to some of the subjects of our national expenditure and some directions in which our appropriations should be increased.

No other country denies to its principal executive officers a salary which should be adequate to sustain their position with dignity. No man in this country who might not well be ashamed of the miserable compensation of the judicial officers of the national courts, although the salaries of some of the judges of the lower courts were slightly raised by the last Congress. No one who gives any attention to the matter but would try to devise some method for relieving members of Congress from being the errand boys of their districts, by giving them at the public cost the assistance of such secretaries and stenographers as they might require. No business man but would advocate such payment to senators as would relieve those who have not a fortune from the necessity of practising law in the minor courts during the recesses of Congress, or from being in part supported by their business or law partners while in the public service.

Finally, no one who has become as well informed as the writer in regard to the excellence and thoroughness of the work of many of the subordinate officers in the departments would deny them a rate of compensation equal to

that of a second-class bookkeeper in a merchant's counting-room.

A small part of the money annually spent on remote improvements which have little true claim, would suffice to meet these requirements. The money proposed to be given to a few hundred sugar-planters as a bounty would cover a suitable increase to the niggardly standard of the present compensation of our judges and other public officers many times over.

I think the public has no conception of the meanness of the compensation of its principal officers and other public servants. I have before me a list of the chief officials and their assistants of the United States, numbering sixty-four persons: the Vice-President and eight Cabinet officers, $8,000 a year each; nine Supreme Court judges, $10,000 each, with a petty *honorarium* of $500 in addition to the Chief Justice; ten Circuit Court judges, $6,000 each, $60,000; one Solicitor-General, $7,000; the Treasurer of the United States, who is responsible for the custody and safe keeping of an income of over $1,000,000 a day or more, $6,000; thirty men whose entire payment is $235,500—less than $8,000 a year each.

There is not a lawyer capable of filling their place on the bench, and there is not an official connected with any considerable railroad, bank, insurance company, or other similar corporation, who would not be called upon to make a very large pecuniary sacrifice if named for any one of these places. It would not be difficult to name less than ten men, in business life, each of whom is in charge of affairs of vastly less importance, measured by the mere work to be done than our government officers, whose united salaries would exceed the payment of the thirty principal officers of the United States, omitting the

President. I think I could name six men whose salaries exceed the thirty designated officials.

Passing to the grade below, we find Assistant Secretaries, the Comptroller of the Currency and his assistant, the Auditors of the Treasury, the Registrar, the Cashier, and other men holding offices of the utmost importance in the conduct of the vast affairs of the United States, numbering thirty-four, whose aggregate salaries come to $144,800 —a trifle over $4,000 each ; each one less than the salary of a first-class bookkeeper in any great bank, insurance company, or commercial establishment. It is difficult to express the sense of the utter unfitness and unsuitability of these payments.

The total payment of the sixty-four chief officials of the United States and their principal assistants is $381,300.

The salaries of the subordinates in the many departments of this government are in their wretched proportion corresponding to these payments made to the principal officers.

To one who knows anything—to any one who has even a very slight knowledge of the enormous volume of careful accounting and of thorough work which of necessity must be done in the conduct of the service of this nation, the only wonder is that without any true order of merit in the Civil Service, without any assurance of a tenure of office during efficient and honest service, and without any suitable provision for old age, men can be found who will bury themselves in these departments and do the work of which every merchant can have some conception when reading the condensed statement or account current of the United States with the Tax Payers which has been given in this treatise. It would be well if every one who holds any responsible position in business life would

give attention to this matter and picture for himself the amount of work which must have been done in order to enable the writer to condense a complete analysis of the affairs of a nation so as to give it in a single column of a newspaper or on two pages of a magazine. (See *Forum*, Sept., 1891.) The reform in the Civil Service will not be fully accomplished until this wrong is righted by making an appropriation for the increased compensation of the judicial and executive officers of this government.

A very small part of the annual increase in the revenue derived from liquors and tobacco only would suffice for the purpose.

Having thus dealt with the present burden of taxation in this country, we may rightly consider some of the elements of comparative taxation which will indicate the transcendent position that we may assume when our own taxes are rightly adjusted.

We should never lose sight of the fact that our continental system of Free Trade among the several States of the Union saves us from the necessity of any army except for service as a border police. If our army were equal in magnitude to the average of the armies of the European States at the present time, the number of men in the prime of life who would be taken from productive work would be somewhere between six hundred and eight hundred thousand. Each one of these worse than idle men would consume the product of about one other person, while the time taken for camp duty and drill by men in the reserves would again deplete the product. Therefore our relative burden, measured in terms of work, is not over one-third that of European countries. Where it now requires the year's work of about eight hundred thousand men to support our government, including our small army and navy as they now are, if we

kept up an armed force equal in proportion to the men in active service in the armies and navies of Europe, it would require six to eight hundred thousand soldiers in addition; and as it requires about one other man's product at the meagre result per man in most European countries to support one soldier, that would add six to eight hundred thousand more. The mere measure in money of the war tax of about one thousand million dollars which is now impoverishing Europe is but a slight indication of the true burden of the passive war which is miscalled peace. The actual European war tax, when computed in terms of work, is the correlative of thrice the whole work which we now devote to the entire support of our government, including pensions.

There are twenty-three million people occupied for gain in this country at the present time—men, women, and young persons, of whom perhaps eighteen million are men, many of them beyond arms-bearing age. The proportion of men in this country of arms-bearing age at the present time does not exceed fourteen million, of whom only about thirty thousand are taken away from productive work for occupation in the army or in the navy. Let it be assumed that our armed forces were increased to seven hundred thousand in active service in preparation for war and seven hundred thousand more supporting this force; that would come to ten per cent. of the workmen of the country who are of arms-bearing age, and would then become only equal to the European war tax.

Even this country could hardly bear such a strain. What must be the necessary effect of such a burden upon countries like Germany, Austria, and Italy, where the capacity or the productive energy of soil and labor combined under present conditions, is not one-half that of

this country, with corresponding wages at one-third to two-thirds our rates? No wonder that the people in many parts of Germany are almost unfit to work, and are incapable of the maximum of production; no wonder that a loathsome disease called the *pellagra*, which is due to insufficient food, has devastated some parts of Italy,—the price that poor Italy pays for freedom from despotism! No wonder that Russia is famine-stricken.

But light is breaking: witness the recent treaty of reciprocity in trade between Austria and Italy—hereditary enemies,—Germany, Switzerland, Belgium, and other countries, through which treaty for mutual service perhaps a considerable portion of their forces may be disarmed.

One who can read what is written between the lines of these figures which relate to armies may comprehend the advantage which this country might have over other countries, if we do not pervert our system of taxation so as to diminish our great advantage in productive power.

Light as our burden of taxation relatively is, it is so badly adjusted that its burden is much greater than can be indicated either by a statement in dollars or in days' work.

What one can readily see in the figures and the facts may, however, disclose what one does not see so plainly.

CHAPTER IX.

What Is Protection?

"What is Protection?" "In what does the true Protection to Domestic Industry consist?" This question may have a strange sound; yet there never was a time in the history of this country when a definite answer was more needed, the confusion among the advocates of the policy which has been heretofore known as that of "Protection to Domestic Industry" being now greater than among any other class of people. The system formerly called Protection varies very much from the policy which is now advocated under that name, which should rather be called McKinleyism.

In dealing with this subject certain propositions may serve as a true guide.

First. In selecting the subjects upon which duties are to be placed in framing a tariff bill, such discrimination should be used as will most fully protect American labor from injury.

Second. In the preparation of measures for collecting duties upon imports, such discrimination should be used as will most fully promote domestic manufactures, mining, and mechanic arts.

Third. In framing measures for collecting duties on imports, such discrimination should be used as will most readily and fully develop a home market for domestic products to the utmost either for export or for home consumption.

Fourth. It is not expedient or even lawful to impose duties upon imports without such discrimination in the choice of the subjects of taxation as may conduce most fully to the public interest.

Fifth. In devising a just method of framing a tariff, if any separation can be made in respect to the relations of capital and of labor, the interest of the workmen should be first considered.

Sixth. The public revenues derived from taxation either by way of an excise on domestic liquors and tobacco or by way of duties on imports should be strictly limited to the necessary expenses of the government when economically administered.

Seventh. An excess of revenue which cannot be immediately applied to the payment of debt is a constant source of danger and is likely to promote either a waste or misapplication of the money derived by taxation from the hardly earned products of the people.

Eighth. All taxes that the people pay, the government should receive, and no money should be diverted from public use to purposes of private gain either directly or indirectly.

Ninth. It is neither just nor expedient to frame a tariff for the purpose of raising or maintaining the price of any given article of domestic manufacture above what it would otherwise be, since that purpose can only be accomplished for the benefit of the few at the cost of the many.

Tenth. It is neither just nor expedient to put a tax or duty upon any crude or partly manufactured product that is of foreign origin but which is necessary in the processes of domestic industry, since such a tax will burden and obstruct the work of very large numbers of persons even if the private interest of a lesser number may be for a time promoted.

The former policy which preceded McKinleyism has been justified by its advocates by imputing its origin in this country to Alexander Hamilton. It is true that Hamilton called attention to the incidental stimulus which might be given to some branches of domestic manufacture already existing, through the imposition of a tariff imposed for the main purpose of collecting revenue from duties upon a few finished articles commonly called manufactures; but this was the incident of Hamilton's revenue tariff and not the main object. Hamilton's tariff was limited to a small number of taxed articles; the average rate upon dutiable imports was less than ten per cent.[1] Crude materials were left substantially untaxed. A few minor changes had been made in Hamilton's tariff down to the embargo which preceded the war of 1812. That war and the previous embargo changed the conditions materially, giving a very unwholesome stimulus to certain branches of industry at the cost of many others; those over-stimulated branches clamored to be upheld and sustained by increasing duties.[1]

A short time after the war of 1812 the first formidable and influential movement towards raising the duties for the direct promotion of certain specific branches of industry was mooted. The discussion took a very wide scope; the change was resisted, especially in New England, under the popular cry of "Free Trade and Sailors' Rights." In 1820, Daniel Webster made one of the greatest speeches which he ever uttered, at a meeting in Faneuil Hall, which was called by the merchants of Boston to oppose these measures. Abbott Lawrence and Nathan Appleton, who

[1] In Hamilton's tariffs of 1789 and 1792, spirits, wines, spices, tea, coffee, and a few other articles were subjected to duties purely for revenue which were above the *ad-valorem* rates on manufactures. The protective duties were all *ad-valorem*, and did not average ten per cent.

afterward became the most conspicuous champions of the high-tariff policy, were among the prominent men present and taking an active part in this meeting. In 1824, Webster opposed the protective policy in the Senate in debate with Henry Clay, who had attempted to give it the name of "The American System." Webster pointed out that it was not an American system at all, but that it was a system which had been long in force in foreign countries, notably in Great Britain. He called attention to the fact that the United States were proposing to take this system up at the very time when its adverse influence on Great Britain had become apparent and when measures were pending under the lead of Huskisson for a change in the policy. But the advocates of a high tariff in the United States had their way, passing various acts culminating in the tariff of 1842, which was enacted in the United States in the very year that the great reform of the tariff in England was instituted under the leadership of Sir Robert Peel in the direction of what has since been called British Free Trade.

It is to be remarked that the lowest prices of cotton ever known were reached between 1842 and 1846, during the imposition of this high tariff; the lowest prices since that date are now prevailing under the McKinley act. Yet there are 1,000,000,000 non-machine-using people in the world who are craving for more and better cotton fabrics; but they can only pay for them in wool, dye-woods, ores, or other similar crude materials, which we tax in order to keep them out.

Either one of the tariffs of Hamilton and those enacted subsequently, including even the tariff of 1842, would now be denounced by the supporters of McKinleyism as pestilent efforts of the enemies of domestic industry to establish British Free Trade.

Webster afterward sustained the policy which was forced upon the country in 1824, but he never attempted to refute his own arguments on which he had opposed its introduction. In his latter years he merely claimed that the government was bound to sustain those branches of industry which had been stimulated by the tariff, since it had elected at the outset to turn the power of taxation against the mechanic arts, agriculture, and commerce, in which his constituents had been previously engaged, and had encouraged them to establish the factory system, of which he became later a mere advocate.

The only ground on which any of these measures, prior to the tariff of 1861, were supported was this, that the full occupation, the quick demand for labor, and high rate of wages which prevailed in this country, not only in agriculture and in the mechanic arts, but also in all the branches of domestic manufacture which cannot be conducted in any other country, for the supply of this country (constituting by far the greater part of our distinctive manufacturing arts) had rendered the special development of the iron industry and of the textile manufacture somewhat difficult and uncertain.

It is singular to observe how the special representatives of pig-iron, wool, and silver have gradually assumed the control and direction of the legislation of this country. If regard be given to their relative importance, the comparison may be made in more than one way; perhaps the surest way is to compare them with the products of the barn-yard.

Pig-iron in 1890 perhaps reached a total value at the furnace of about	$130,000,000
Wool, about	60,000,000
Silver, nominally $70,000,000, in fact, about	50,000,000
Total	$240,000,000
Poultry and eggs, at the lowest computation, may be put at	$250,000,000

The eggs only, at the standard of consumption in the factory boarding-houses of Massachusetts and of the iron and steel workers of Pennsylvania, came to between $125,000,000 and $150,000,000. According to assessors' returns in Ohio the egg product is worth more than the wool of Ohio.

The production of pig-iron, wool, and silver is relatively an insignificant factor in our body politic; it is their abundant consumption that is important. Iron and silver give occupation to a very small fraction of the population, who are occupied in mining at very low rates of wages and under very adverse conditions of life, the benefit, if any, accruing almost wholly to the owners of the capital which is invested in the mines.

The proceeds of the sales of poultry and eggs, on the other hand, are distributed throughout the country; very little goes to capital, the payments being made almost wholly to those who require it more than any other class, because they possess so little capital.

REVERTING TO HISTORIC PARALLELS.

In 1824 the effort was still being made in Europe as it had long been in Great Britain to prevent the distribution of information and the knowledge of inventions in manufacturing. It had been a penal offence in the early part of the century, prior to 1824, and even I believe up to 1842, to take drawings or examples of many kinds of machinery out of Great Britain. True, the iron industry and the textile manufacture already existed in this country in very considerable development and, as Hamilton in 1791 and Webster in 1820 proved, on a very solid basis, having become established as infant manufactures during the colonial period in spite of the efforts of Great Britain to suppress them; but it was held that they required a cer-

tain so-called "reasonable measure of Protection" by way of duties on foreign imports of fabrics of like kinds, in order to offset the lower wages which prevailed in other countries; it being then erroneously assumed that the cost of labor per unit of product might be measured or established by reference to the rates of wages. That error in regard to the relation of rates of wages to the cost of labor still prevails.

There has been much discussion about promoting diversity of occupation or employment under a protective tariff. A very slight investigation proves that the effect of a protective tariff, so far as it is operative, has been rather to restrict than to promote diversity of employment.

All the more conspicuous and important arts in whose behalf it has been mainly advocated were well established in the United States long before Hamilton's tariff, even in the colonies before the Revolution. The cotton industry came later, even before the invention of the cotton gin in this country, an invention which would naturally have led to the establishment of spinning and weaving here whether there had been any Protection or not. Hamilton himself advocated a remission of the duty of three cents a pound upon cotton in 1791, in order to promote the more rapid development of the cotton manufacture in this country where it was already established.

No art of any conspicuous importance, requiring skill, aptitude, and intelligence in their application to machinery, has yet been established in this country merely as a result of the adoption of a high tariff. It is possible that there are some minor branches of industry of which the corresponding import has been cut off by almost prohibitive duties which may have been brought here in consequence; but no distinct branch of manufacturing of any relative

or considerable importance has ever been added to the occupations before existing here, under any tariff imposing high rates of duty.

There is a natural diversity of occupation which establishes itself. Its course may be traced throughout this country itself, in which we have the widest application of absolute Free Trade among the largest number of persons who were ever permitted to enjoy the privilege. It will be observed that the more free the conditions, the more fully each section adapts itself to its own work; but nevertheless in every State there exists a certain ratio of occupations, more manufacturing in the East, more agriculture in the West and South.

CHAPTER X.

Occupations that cannot be Protected by Duties on Imports.

The occupations of the people of this country were listed in the United States census of 1880 under four general titles:

1st—Professional and Personal Service.		
Males	2,712,943	
Females	1,361,295	
		4,074,238
2d—Trade and Transportation.		
Males	1,750,892	
Females	59,364	
		1,810,256
3d—Agriculture.		
Males	7,075,983	
Females	594,510	
		7,670,493
4th—Manufacturing—Mechanic Arts and Mining.		
Males	3,205,124	
Females	631,988	
		3,837,112
Total		17,392,099

This was the force occupied for gain, from whose work the product of the support of a population of 50,155,783 was derived in the census year covered by the census of 1880.

A very slight consideration of the relative numbers in each class of occupations of the people of the different sections of this country will show that diversity establishes itself in the surest manner, the more free the

conditions of exchange. The very rapid growth of manufactures and mining in the Southern States since the protective system of slavery was removed, gives the most conclusive proof that all the manufacturing, mining, and mechanic arts develop and grow under a system of free exchange, according to the natural conditions and diversities of each part of the country, and that the less the artificial stimulus given to them the more sure and safe their foundations may be.

It has gradually become apparent, with the development of science and invention, that the rate of wages is not a sure standard of the cost of labor. It is found that rates of wages may be very low, yet the cost of labor in the unit of product may be very high; while conversely it is in fact an established rule that in countries of great productive capacity where machinery has been applied in largest measure, as it has been in the United States, the general rates of wages which are derived from the sale of our products are very high, while the general cost of our production in each unit of product is very low. This rule applies to every art for which the conditions are most favorable, and which is not a mere handicraft. It is not yet a universal rule because its application has been altered by the long continuance of a high tariff, the effect of which has been to depress prices and wages in some arts in foreign countries by obstructing the demand of this country which has the greatest consuming power of any one in the world,—while to some extent making wages variable and uncertain without permanently raising them in this country in the arts of like kind. It is therefore impossible to adjust duties on imports by rates of wages, on the theory that by so doing the cost of labor may be equalized. In nine-tenths of our work our cost of labor is the lowest in the world as

our rates of wages are about the highest, therefore the last thing we should seek is to equalize the rates of wages. We must maintain our high rates of wages in order to secure our low cost of labor, so that under Free Trade while all nations profit, yet we may rightly profit most on the exchange of products and services.

In respect to Professional and Personal Service and to Trade and Transportation there can, of course, be no foreign competition and therefore no need of tariff Protection, unless the logic of that system may be held to require an import duty upon immigrants.

In the products of Agriculture this country so far excels all others in its huge abundance produced at high relative wages and low relative cost, that since sugar was put upon free list the articles which could be imported from a foreign country that are also produced by ourselves would represent less than three per cent. of our total product.

Lastly, in dealing with the Manufactures, Mechanic Arts, and Mining industries, in which 3,837,112 persons were occupied in 1880, it is difficult to set apart in a discriminating list over 1,000,000 whose product is such that one of like kind could be imported even if there were no duty upon imports.

To what extent our finished manufactures would be subject to foreign competition cannot be fully determined until the component materials which are of foreign origin are as free from taxation as those of our competitors in Great Britain, Belgium, Germany, and France.

If we apply this method of discrimination, for instance, to the State of Pennsylvania, we may remark that tobacco and wool are the only products of agriculture which could be imported, giving occupation to a small part of a force which numbered

In 1880, in Agriculture	301,112
In Professional and Personal Service, free of foreign competition.	446,713
In Trade and Transportation	179,963
In Manufactures, Mechanics, and Mining, the number of bakers, blacksmiths, brick and stone masons, butchers, cabinet makers, carriage builders, coopers, lumbermen, painters, plumbers, wheelwrights, and all others of like kind who cannot be subject to foreign competition was	357,584
Total exempt from foreign competition	1,285,372
Subject in part to foreign competition:	
The total number occupied in textile factories—mines, iron and steel works, paper mills and the like that are subject to foreign competition, or of whose product a part might be imported, numbered	170,693
Total number occupied for gain in Pennsylvania in 1880	1,456,365

Thus it appears that, even in Pennsylvania, less than twelve per cent. of the people who did the work could, in 1880, be subjected in part to an import of a product of like kind. How can we protect the eighty-eight per cent.?

If the same method of analysis be applied to the occupations of the people of Ohio, of whom

40 per cent. were occupied in Agriculture.
25 per cent. in Professional and Personal service.
10½ per cent. in Trade and Transportation.
24½ per cent. in Manufactures, Mechanic Arts, and Mining.

100

(the divisions in Ohio very closely corresponding to the average of the whole country), we find that even including wool, iron, and every other branch of industry subject to a possible import, yet out of 994,475 who were occupied for gain, it is impossible to set apart 50,000 who could under any conceivable circumstances or conditions be subjected to an import of a product of like kind from any other country, setting aside Canada—the sales of the products of agriculture to Canada being greater than the purchases.

CHAPTER XI.

Method of Tariff Reform.

In dealing with the remedy for the evils of taxation under which we now suffer and which inflict privation under the pretext of Protection I shall be obliged to recur to some of the views which have been presented in earlier numbers and to repeat in some slight measure some of my previous statements.

Thus far the people of this country have been able to bear the vagaries of a system of taxation imposed under acts which have been devised without order, method, or any really scientific consideration of any definite policy of any kind. The tariff has of late been treated as the mere football of politics : the McKinley bill supported as a party measure by those who considered its provisions wholly unfit to be adopted, without any just consideration of the true interests of consumers. In spite of these constant variations and uncertainties, such have been the effects of science and invention applied in the field, the forest, and the factory that the progress of this country in material welfare during the last twenty-five years has been greater than anything ever known here or elsewhere.

Viewed from a scientific standpoint, however, the very ability of this country to bear the perversion of taxation has been almost a misfortune. But the end has come. The people have long listened with patience to every shallow and sophistical argument that could be put before them, without giving time or attention to the matter, but

the necessary end has at length been reached in a very singular way, to wit: *through the very excess of our abundance.* We are now "smothered in our own grease"; we are burdened with our own excess of products as compared to our own consumption. Under these conditions people have at last become tired, and in the vernacular they are now crying out: "Give us a rest." From every side and from every department of industry comes up the word: "We have asked you for bread, and you have given us a stone. You promised us greater activity; we are subject to depression. You held out the expectation of better prices for our farm products, especially for our wool and our cotton, and you have brought about conditions in which we are being forced to take less for many products that we have to sell and to pay more for much that we have to buy. We will not submit to these quack methods of legislation any longer. Only a partial famine in Europe has for the time saved us."

This change in public opinion is coming about without any distinct process of reasoning, but rather through a gradual development of common-sense and conviction on the part of the great mass of the people that a paternal policy may no longer be tolerated, of which the logical outcome is the perversion of public taxation to private benefit, accompanied by a corresponding organization of labor with the declared purpose of defending itself against capital, as if capital were its enemy. Another outcome of this "paternalism" has been the demand of the Farmers' Alliance for the aid and support of the government in speculating in grain and cotton by the lending of *fiat* money at two per cent. per annum.

These fallacies, of course, affect and mislead only a small fraction of discontented persons. The solid common-sense of the people pronounces them to be fallacious, and by

instinct rather than reason traces these fallacies to their source in the undertaking of Congress to regulate prices and wages and to control enterprises by constant interference with the freely chosen pursuits of the people.

The McKinley tariff, so-called, is being rapidly condemned, not because the evils which are affecting the community can be directly traced to its provisions, but because of an utter distrust of the whole method on which it has been framed, which distrust has been derived from its general effect. With this change of opinion in regard to the measure itself has also come a conclusion in regard to the leaders who sustained it, whose sincerity is only justified in inverse proportion to the estimate put upon their intellectual capacity. This statement is not made in a controversial way. Is it not a fact that such is the aspect to which the slow, sure, but solid common-sense of the mass of the people has been brought? Is not this a true view of the present status?

If such is the fact, then there may now be very great danger of injudicious methods in changing the policy of the country. Unless a plain and intelligent direction can be given to the reform of our revenue system by the concurrent action of reasonable men without distinction of parties, the reform may be worked by methods which may cause injury in proportion to the want of intelligence with which the new measures are framed, and for lack of right discrimination and true protection to our own people.

I have already stated that it would be as injudicious to destroy capital and to break up branches of industry which have been almost forced by a high tariff to take the direction in which they are found, as it was in the beginning to force them into such artificial conditions. In order that the necessary changes in taxation may be rightly directed, two measures will have become a positive necessity; first,

a careful estimate of the annual expenditure for pensions, of the duration of that obligation, and of its progressive reduction until the last dollar shall have been paid; second, a judicious selection of subjects of taxation by well devised measures, which shall be computed so as to meet this obligation without yielding any undue excess of revenue. That will be the most difficult part of the undertaking, and this work ought to be entered upon without regard to party politics.

CHAPTER XII.

Protection by Exemption from Taxation.

All advocates of Protection through duties upon imports down to the advent of McKinleyism have supported that system as a temporary policy in preparation for Free Trade.

The only distinction between the intelligent members of the Republican and Democratic parties is now in respect to the time and method of beginning a reform of the tariff.

In beginning to deal with these measures, attention may well be given to two other fundamental propositions previously submitted: First, in view of the fact that measures of taxation may interfere greatly with the progress of industry, *such discrimination should be used in framing these measures as will most effectually promote domestic industry in all its branches. Second, since the protection of American labor is bound by indissoluble ties to the protection of domestic industry, every measure of taxation should be so framed as to protect the American workman in the most effective manner.*

Dealing with the matter from this point of view, all taxes upon necessary articles of food must, of course, be done away with because food is the most essential element of human power; fuel may be included in almost the same category.

It is manifest that no tax can be imposed upon the import of food without increasing the cost of that food to

the consumer. Such taxes inflict privation under the semblance of protection. The tax may happen to be a very necessary article of food. We may take potatoes as an example, as they are now subject to a tax on imports of twenty-five cents per bushel. Potatoes are only imported for common use in years of scarcity and of short crops in this country. In other years the import consists merely in the early spring luxuries from Bermuda and elsewhere. When there is a short crop in New England, New York, and along the sea-coast, the prices of necessity rise to a very high point, because potatoes will not bear a very long haul by railway. Then the tax oppresses the poorest in the community in greatest measure. It is then that this tax becomes malignant. It adds nothing to the income of the farmer, while it oppresses the poor. In one year, not long since, this tax added a million and a quarter dollars to the unnecessary surplus revenue of the people of the United States and this burden fell mainly upon the poorer classes in the northeastern part of the country.

The same reasoning applies to every kind of food which is of necessary use. Sugar has lately been added to the free list. This will be to the great advantage of consumers, and when hereafter the tax is taken from tin-plates this abatement of the tax on sugar will also become of great advantage to the farmers and canners of fruit, of preserved milk, and other agricultural products, in which sugar and tin-plates are the component materials of chief cost.

By the same rule any tax which is imposed on the crude or partly manufactured materials of foreign origin which are necessary in the processes of our domestic industry, becomes a most serious obstruction to the development of domestic industry and indirectly a most serious obstruction to the progress of the farmer. It burdens the

domestic manufacturer, restricting his power of purchase, while it cuts off the farmer from one of his principal outlets for the excess of his crops by export. Such a tax very often works to the greatest injury of the producers of the specific crude material which it had been intended to benefit. We may again take domestic wool as an example of such grave injury. When it was first proposed to adopt the so-called "wool and woollen tariff," of which the present measure is but an aggravated continuation, the most skilful and competent of the woollen manufacturers under the lead of the late Edward Harris, of Woonsocket, presented arguments to the Committee of Ways and Means against the duty on wool, upon the distinct ground that such a tax, while it would seriously injure the domestic manufactures of woollen or worsted goods, making it necessary to advance the cost of the fabric and also the price of clothing, would also depress the price of domestic wool, gravely injuring the farmer. Such has been its exact effect. What was predicted twenty-five years ago has been verified to the letter.

This subject has been dealt with many times, and as often as the prices of wool have been set off against the varying rates of the tariffs since that of 1824, in which wool was first made subject to duty, it has been made very plain that while the prices of wool have varied from other causes, yet so far as the tariff appears to have had any effect at all, the high tariffs after one or two years of adjustment have caused domestic wool to become very much lower in price; while on the other hand, within a year or two after low tariffs had been enacted the prices of domestic wool have always advanced. These changes have been fully explained both by the advocates of protection to the woollen manufacture and by the advocates of freer trade. In order that the manufacture of woollen and worsted

goods may prosper, manufacturers must have the same free access to all the varieties of wool in the world as that enjoyed by their competitors, especially the manufacturers of Great Britain. Otherwise the whole balance of the industry is broken up.

When duties are high an undue proportion of woollen machinery is put upon the few varieties of fabric that can be wholly made of domestic wool. This branch of work is soon overdone, the price of the fabric goes down and the price of domestic wool goes with it. On the other hand, the representatives of other branches of the woollen industry which are obstructed by the duties on foreign wool are obliged to advance the prices of their goods in order to cover the additional cost; clothing as a whole costs more, while the farmer gets less for his wool than he ever did before. The same process of reasoning, varied according to the conditions in each case, can be applied to all other crude materials.

In respect to partly manufactured materials such as sheet and rolled iron, iron bars, tin-plates, and the like, it will be observed that while through invention and discovery there has been a very steady and consecutive reduction in the cost and thereafter in the price, these inventions have been of equal effect in other countries, and the prices of metal in other countries, especially in Great Britain, have been reduced in even greater measure than they have in this country. The effect of this has already been stated. Dealing with pig-iron only, we find that the price of this crude material, of which we are the largest consumers in the world, for ten years, to our shipbuilders, machinists, railway constructors, manufacturers of agricultural tools, and all other artisans who work in metal, has been on the average $70,000,000 a year more than the price of the same quantity and the same quality

delivered in Great Britain to the artisans and machinists in her own works and in those of other countries. We have paid in ten years $700,000,000 in the additional cost of pig-iron, and yet the incompetent among the pig-iron men still cry for higher protection.

Again, taking as example the single article of tin-plates: The competition in Wales has steadily reduced the cost of this important material, of which we are also the greatest consumers in the world. The tax which has been paid by the consumers of tin-plates in this country for the last ten years up to 1891 inclusive has amounted to over $60,000,000. With singular fatuity the advocates of McKinleyism are now endeavoring to promote the transfer of the production of tin-plates from Wales to this country by so advancing the prices as to enable persons who have not heretofore proved themselves to be competent, to undertake this somewhat objectionable branch of industry at the cost of the consumers of this country. This art is in many respects a very loathsome and undesirable branch of industry, for which there is now no supply of laborers in this country. All the work, except the mere rolling of the plates of iron or steel, is done under such offensive conditions as to make it one of the kinds of work about which Daniel Webster long since said that "we cannot afford to do for ourselves what foreign paupers can do so well for us." The people who do this work in Wales are not paupers,—they are fairly well paid, but the conditions of the work are such that those who do it might become a very undesirable element in our population. Until the offensive and unwholesome parts of the work of dipping plates of metal into oil and acid and then in melted tin are removed by invention, it is the greatest folly to attempt to transfer this branch of work from any other country to this country. Moreover this change would

cut off from Great Britain her present means of paying to the extent of about $30,000,000 a year, which is now applied to the purchase of our wheat and our cotton. Great Britain, rich as she is, cannot buy what she needs from us and pay for it only in gold. Commerce must of necessity consist in an exchange of products. A transfer of the art of making tin-plates would bring over to this country a few thousand somewhat objectionable people who would become consumers in very small measure of our wheat and of our cotton, while the means of payment of Great Britain would be diminished to the extent of the value of the tin-plates which she pays back to us for the products of our farms at the rate of nearly $30,000,000 a year. This $30,000,000 annually received by Great Britain is now spent by her for our cotton, wheat, and provisions. If we deprive her of the means of payment to that extent—the tin-plate makers moved over here would become consumers in limited measure of the same articles. These goods require a large amount of capital and but a moderate amount of labor of a rather low grade, hence we should lose more than we should gain, even if success were attained in establishing this art, which does not, however, seem probable. We have no working people to spare for such work.

The worst effect of this kind of interference with this course of trade is often to be found in the mere obstruction to exports, which of necessity ensues from the cutting off of imports. Its effect in this country is the more malignant because the export of the excess of our products of agriculture is one of the main elements in our continued prosperity. The proportion of the products of our farms exported, except cotton, may be small, but every one who is conversant with trade at all is well aware that an excess of even five per cent. of any given product may for

the time reduce the price in fivefold measure, and this is the matter of main importance to us. At this present moment the effect of a moderate supply of cotton has put the price at the lowest point ever reached but once before. We export more than ten per cent. of the aggregate of our farm products; in some years our exports have amounted to nearly twenty per cent. of the whole product, computed at farm values. It is upon the sale for export of this excess that the price of the whole crop of everything depends. Consequently an obstruction to imports, of small apparent importance in itself, may exert an adverse influence on prices of farm products which are exported and therefore on the whole product, in a measure which one can hardly comprehend except for the depression that has ensued.

It therefore follows that the promotion of domestic industry, both in agriculture as well as in manufacturing, rests upon the free import of all articles of food and of crude or partly manufactured materials which are necessary to the processes of domestic industry, and upon the correspondingly free export of our great crops and of many kinds of manufactured goods in which we already excel all nations. It is manifest that if we were permitted to secure wool, iron, copper, and other crude materials which are necessary in the processes of our domestic industry on the same terms with our foreign competitors, we should increase our markets in other countries in very great measure. We are even deprived of the free use of our own copper in competition with others, because the producers sometimes sell our surplus of copper to foreign consumers at a less price than is charged to our own.

When this country fully believes in itself,—when it no longer subjects its own imagination to the humiliating idea that a free, intelligent, well paid, and fully nourished

people cannot compete with the underfed pauper laborers of Europe, we shall be enabled to take our true place among the nations. We shall then be far on the way toward the ultimate abatement of every national tax of every kind upon every import, except the taxes which we may put upon liquors and tobacco in order to support our government. When that condition is attained the true Protection to domestic industry will be established. It will then consist in Free Men, Free Soil, Free Speech, and Free Trade.

CHAPTER XIII.

Free Trade the Objective Point.

The purpose of the writer in the preparation of this series of treatises has been to present the whole subject of national taxation in a reasonable and, to some extent, judicial manner, wholly free from party bias. This method of dealing with the subject has manifestly become a necessity, for the reason that as political parties are now divided, neither one has as yet been able to present a thoroughly complete and well digested measure of general tariff reduction. In each party there are underneath the surface great differences of opinion. In the Democratic party there are as yet relatively few men who are yet prepared to take the wholly independent position which was assumed by Mr. Mills, Mr. Carlisle, the Messrs. Breckinridge, Mr. McMillin, and Mr. Wilson in framing what was known as the Mills Tariff Bill. Their first step was to put wool, hemp, flax, and other fibres into the free list, these being typical and somewhat important products of the particular States which these gentlemen themselves represented. They did not frame the measure known as the Mills Bill as a complete act, it was more of a tentative measure or beginning than one intended as a finality. It did not deal effectually with ores, coal, or many articles of prime necessity in domestic manufactures.

On the other hand, there are very conspicuous members of the Republican party whose objections to the

McKinley act have only been overcome by the assumed necessity of party coherence. It is not probable that there are ten in one hundred Republicans who regard the McKinley act as one fit in any sense to be considered as a permanent adjustment of the tariff.

There is also great confusion in the public mind upon this subject, and this confusion is of course reflected in varying action and demands upon the members of Congress. Hence it has become necessary in the present session to make a beginning only by introducing simple and separate measures for removing the duty from wool and a few other crude materials.

On the other hand, we may be wholly dissatisfied with the motive, form, and substance of all the tariff bills that have been enacted since the year 1861 inclusive, except as war measures; yet they have been in force on substantially the same lines for almost a generation. Great branches of industry have become adjusted to these conditions. It is therefore expedient for all who take part in this discussion to treat this matter in a judicial way, so as to give a true direction to the process of tariff reduction, dealing especially with the element of time in the most careful manner in making great changes.

It seems to be very certain that whoever may be elected President in November next, the majority of the House of Representatives, without strict regard to party lines, will be elected only upon the assurance of nearly every candidate that he will sustain a complete measure for the reduction of the tariff. Even if a majority of the members of the Senate may not have been chosen upon that issue, it is yet very certain that a working majority will sustain any judicious measure of general tariff reduction that may have been carefully framed in the House of Representatives. In this view it becomes interesting to note the signs of the times.

The beginning of an alliance of members of both parties in dealing with financial questions has been brought about in the recent action upon the free coinage of silver. After the Presidential election is ended, in the second session of the present Congress, what is more likely to occur than that men who have co-operated together in endeavoring to establish the currency of the country upon a safe and solid basis should again co-operate in the reform of the present system of excessive and badly adjusted taxation?

It has been demonstrated that the revenue from liquors and tobacco under existing acts even now suffices to meet all the expenses of the government, except the pensions, with a margin over. In the second session of the present Congress, legislation will be directed toward making provision for the expenditures for the fiscal year beginning June 30, 1893, and ending June 30, 1894. In that financial year, according to the statements recently submitted by the Commissioner of Pensions, nearly all claims for pensions under existing acts will have been audited, to the end that there will be no longer any first payments or payment of arrears to be made. These first payments now constitute about one third of the outgo. After they are all liquidated the annual pension roll will not exceed the sum of $100,000,000 a year, if it comes to so much. When that point is reached another year will have elapsed, and the revenue from liquors and tobacco will then be so much in excess of the other expenditures as to cover a considerable part of the pension roll. The revenue needed from customs on other articles than liquor and tobacco may then be less than $100,000,000.

It would therefore, be wholly within the power of this Congress at its second session to abate all duties upon crude and partly manufactured articles that are necessary in the processes of domestic industry, and to frame a sim-

ple and consistent measure of duties upon other materials at such rates as might yield the desired revenue. It needs only that the people of this country should exert their will and make their will manifest, and then every obstacle that now stands in the way of such a simple and effectual method of dealing with the subject of taxation will vanish like dew before the sun.

In anticipation of such an alliance of Republicans and Democrats, without regard to party affiliations, for tariff reform and for a reduction of taxation, it becomes expedient to deal with the fundamental principles of taxation. From the days of Alexander Hamilton, through the discussions in the time of Clay and Webster, thence down to the date in 1867 when the late Erastus B. Bigelow was one of the most conspicuous devotees of the protective system, as well as at the present time, the objective point of the protective system has been held to be ultimate Free Trade. The only difference between reasonable men—putting aside the dogma of "Protection with incidental revenue" as one that requires no further consideration—now is as to the time and method of beginning the reform of which the agreed objective point is ultimate Free Trade. This fact is demonstrated by the Republican measures for treaties of reciprocity. Such measures are merely indirect devices for attaining partial Free Trade by discrimination among countries and subjects of taxation, and also by the increase in the free list in the McKinley act.

The time is therefore now ripe to deal with fundamental principles. The Republican party, as a party, has planted itself upon what it holds to be the "*Principle of Protection.*" Its representatives have constantly affirmed that any changes which may be made in existing acts for the collection of duties must be made only by those who will deal with it as a principle. The Democratic party has not

declared absolute *Free Trade* to be its motive, because that would involve a discontinuance of custom-houses. Under our present system it will long remain necessary for Free Trade to be qualified by the necessity for the collection of a certain amount of revenue from duties upon imports.

Under such conditions it follows that the whole subject should be removed from party politics, and ought to cease to be an element in party divisions, to the end that all obstructions which have heretofore prevented men of either party from acting together may be removed, as they have been in dealing with the silver question.

It cannot be doubted that it is the will of the people of this country that its unit of value shall remain what it now is; to wit, a dollar which is worth as much after it is melted as it is in the coin. It is the will of the people of this country that no *fiat* dollar, or dollar made of silver that is not worth as much after it is melted as it purports to be worth in the coin, shall be coined without limit or continue to be made a full legal tender. It is the will of the people of this country that the money in which the workman is paid shall be equal in its purchasing power or value to the money in which banks and bankers must of necessity transact their business in order to maintain their credit and to retain the confidence of the business community.

It is the will of the people of this country that its system of taxation shall be simple and plain; that the sum of money raised by taxation shall not exceed what is required for the conduct of the government when economically administered; and that *all taxes that the people pay, the government shall receive.* The problem is how to adjust legislation so as to give expression to these purposes. That is a question of practical legislation.

Now it will be apparent that no true or just solution of this problem can be reached except through a discussion of the underlying principles which must govern any policy of taxation. If there were no necessity for a revenue to support the government, no sane man would propose to put a tax or duty upon anything either of foreign or domestic origin; but since there is a necessity for raising a certain amount of revenue by duties upon imports, no judicious person would assess these duties without such discrimination in the choice of subjects of taxation and in the mode of applying the duties as would most effectually promote domestic industry and protect home labor from injury.

The objective point of both the systems now contending for preference is the same. Their representatives, as a rule, are equally sincere in the conviction that their chosen method will most fully secure the objects named. What is called Protection and what is called Free Trade, qualified only by the necessity of a moderate tariff for revenue purposes, are simply names representing the same purpose.

Ultimate Free Trade is the declared object of the advocates of what is commonly called Protection, to be reached at some future date, when certain conditions precedent have been secured. Free trade, qualified by a tariff for revenue only, is the objective point of the other side. The difference is only upon the question of the time when to begin so as to reach the objective point which is common to both. Recourse may therefore be had to the simple elements of the case which may be developed by the consideration of two plain questions:

First, the principle of Protection, what is it?

Second, the principle of Free Trade, what is it?

If there is a distinct underlying principle governing the

case, then, of course, the policy of the country must sooner or later become adjusted to that fundamental principle, whatever it is, because the definition of a principle is, "a rule of action among human beings." If there is a principle underlying the one and not the other theory, then the one which is based upon a principle will in the end be adopted and will govern the policy of the country.

English jurists have an excellent method of defining the meaning of words before proceeding to incorporate them in any acts of legislation. It may be well to adopt this method in dealing with the fundamental questions upon which our acts of taxation should be framed. That method will be adopted in the subsequent chapters.

CHAPTER XIV.

Attempted Definition of the Principle of Protection by Senators Sherman, Hoar, and Aldrich.

In Webster's Dictionary the word Principle is defined as a "truth admitted either without proof, or considered as having been before proved; a settled law or rule of action in human beings."

The word Policy is defined as "that system of measures which the sovereign of a country adopts and pursues as the best adapted to the interests of the nation."

If a system of taxation can be founded upon a principle according to the definition given in the dictionary, any subsequent discussion of the matter must be without effect. If, however, that which is defined as a principle is merely a policy, then reasonable men may rightly change their views of what the policy should be according to their experience or knowledge of the effects and conditions which have been developed under the application of that policy. The importance of this discrimination between a principle and a policy will become apparent as this subject is developed.

Among those who took part in promoting the protective measures which were adopted subsequently to the war, no one attained greater influence than the late Erastus B. Bigelow. He was substantially the author of the Wool and Woollen tariff, of which the present provisions of

the McKinley act on wool and woollens are but a new adjustment. This original wool and woollen tariff was intelligently framed, and was justified on very simple grounds. It was held that there should be a specific duty upon foreign wool for the protection of the domestic wool-grower. It was believed that this duty would raise the price of all wool, domestic as well as foreign, and thus increase the cost of wool to the manufacturer. A provision was therefore carefully framed for assessing a specific duty upon woollen manufactures, the intention of which was to give exact compensation to the woollen manufacturer for the increased cost of raw material to which he would be subjected by the duty on wool. There was no concealment and no reservation about this declared purpose.

It was held by Mr. Bigelow and his associates that in this way the woollen manufacturer would be placed in the same position as that which he would hold if there were no specific duty either upon the wool or upon the goods. This matter having been adjusted, it was then held by Mr. Bigelow and his associates that there should be a moderate *ad-valorem* duty of twenty-five per cent. upon woollen and worsted fabrics, for the purpose of protecting the manufacturers. The justification of this protective duty of twenty-five per cent. was the alleged higher cost of labor in this country as compared to the cost of labor in foreign countries. *Ad-valorem* duties were therefore imposed upon woollen and worsted fabrics *in addition* to the specific compensating duties upon the raw wool, for the distinct purpose of Protection, and this protective duty was at the rate of twenty-five per centum. Reference may be had to the arguments before the Committee of Ways and Means by which they were governed in framing these acts. Mr. Bigelow did not justify protective legislation on the ground of a principle. He held that a protective

tariff should be adopted merely as a matter of policy. He and his associates presented the case to Congress as one to be governed by their choice or discretion.

In his last pamphlet dealing with the protective system in 1877 Mr. Bigelow defined his position and that of his associates in these words: "*There is no ultimate principle of universal application included either in Free Trade or Protection; they are questions of policy.*"

Mr. Bigelow's policy has been an utter failure; the wool and woollen tariff has been altered, amended, and increased, each time under the direction of its friends, and the last state and condition of the wool-grower and the woollen manufacturer has been worse than the first. Is it not time to change a policy which the original promoter declared to be founded on no principle whatever?

It has been wholly upon the ground of policy and not of principle that the war tariff has been subsequently amended and altered by the remission of duties on tea, coffee, and sugar, by the enactment of the tariff of 1883, and by other changes down to the adoption of the McKinley act. Then came a very profound change in the declared purpose of the promoters of the protective theory. In the words of its author this *new* purpose is "*Protection with incidental revenue.*" It has been held in recent discussions that the principle of Protection has become a settled law or rule of action which must govern our future policy, and which is not a subject of further discussion. It is also held the revenue should be the incident, Protection the end to be assured by a tariff.

But to this perversion of principle and policy alike, only an insignificant fraction of the people or of the legislators of the country have ever given their adhesion. The choice is therefore presented to those who defend existing acts of tariff legislation, either to present a principle of taxa-

tion sustaining those acts, or else to justify the existing acts as true measures for securing the enforcement of a policy which is for the general welfare.

In all the recent discussions in defence of the existing tariff acts, public speakers both in Congress and without have presented the case as one founded upon a distinct principle. That is to say, Protection in its technical sense as brought into effect by the McKinley act is claimed to be based upon an "admitted truth already proved, or upon a rule of action or settled law governing human beings."

It may now be judicious to revert again to the dictionary for a definition. What is Protection? The definition is, "the act of protecting, defence, shelter from evil, preservation from loss, injury, or annoyance."

It therefore follows that those who would forbid the free exchange of the excess of the products of our fields, forests, mines, and of our factories which we do not want and cannot consume ourselves, for the goods and wares which are produced in other countries which we *do* want and *can* use in the processes of domestic industry, must justify such interference with the laws of commerce upon the ground that such a free exchange of product for product will inflict "loss, injury, or annoyance," upon the people of this country. They must justify these acts upon the ground that it is the function of the legislator to "defend" the people of this country so as to give them "shelter from an evil," which may ensue if they are allowed to have their own way, and to exchange their products with other countries on such terms as appear to them to be profitable.

Can there be any such justification? It is apparent that unless there is a profit, gain, or advantage to both parties in any mutual service or exchange, then such ex-

change, in which all commerce consists, must cease. No trade or commerce has any duration among men, and no transactions are repeated in which any party or nation gains at the loss of any other. There must be a mutual service and a mutual benefit in all exchanges, else they stop. All business experience merely consists in so conducting trade and commerce that it shall be profitable to the buyer as well as to the seller, and *vice versa*. This being an elementary truth, how can any obstruction to such exchanges be defended? The so-called "Principle of Protection" must be defended, if at all, consistently with the definition of the words as those definitions are given in the dictionary. Lest the writer might do an injustice to those who claim to represent the "Principle of Protection" he lately transmitted a letter to several of the leading supporters of the McKinley act, asking them the simple question: "What is the principle of Protection?"

Among all those, ten in number, to whom this letter was addressed, Mr. William McKinley, Jr., was the only one who failed to make a reply. The first missive was sent to Senator George F. Hoar, of Massachusetts, and through an error of the stenographer he was asked to define the principle of Free Trade, which he did in the following terms:

"You ask me to give you in a concise way my conception of the Principle of Free Trade. I am not sure that your type-writer or secretary has not accidentally mis-stated your desire. I should have supposed you would have been more likely to ask me to make for you a statement of the principle of Protection in which I am a believer, than the principle of Free Trade, in which I suppose you are a believer. But I will state the doctrine of Free Trade as I understand it.

"I suppose that the principle of Free Trade does not necessarily imply that there shall be no taxes or duties upon imports, but it regards such tax or duty as a necessary evil, like any other mere tax which compels men to contribute of their own property to support the government. But I suppose that the principle of the free-trader is that no such duty or tax should be laid

or determined in its amount by the desire to encourage the establishment, in the country raising it, of any industry or employment which would not otherwise be established, or to increase such employment or industry in consequence of the duty or tax to an extent to which it would not be increased without it; or to maintain, and continue, in consequence of the tax or duty, any existing industry or employment which would not be maintained or continued without it.

"I am faithfully yours,

"GEO. F. HOAR.

Upon discovering the mistake Senator Hoar was asked to define the principle of Protection, and to this he made the following response:

"WORCESTER, MASS., Nov. 18, 1891.

"You meant, as I thought, to ask me to state the Principle of Protection. I think that you can perhaps infer my definition of Protection from my definition of Free Trade which I sent you in my letter of Nov. 13th. I think Protection as used in our political and economic discussions, is the imposing of such duties on the importation of foreign products as will prevent a domestic producer of the same article from having his business destroyed by the competition of the foreign import, *while* he establishes it; or will enable him to maintain the production without its being destroyed or rendered unprofitable by the competition of the foreign article *after* it is established, when he could not otherwise so establish or maintain it; or the enabling him to pay larger wages in such production than he could pay if he were subject to the foreign competition.

"I do not suppose that such Protection will ordinarily result in permanently raising the domestic price or in permanently arresting or diminishing its fall. But it protects the domestic producer against large combinations of foreign capital or against temporary disturbances in the market price by throwing upon the American market the surplus products of the foreign countries at less than the cost of their production, leaving the foreigner to raise his price again if that be found practicable, after the domestic manufacture has been destroyed.

"If you propose to quote my definition in public, perhaps justice to me would require that you should quote my definition of Free Trade as well as my definition of Protection,

"I am faithfully yours,

"GEO. F. HOAR."

Senator Nelson W. Aldrich, whose ability in defending the McKinley act in its details is deserving of all the credit due to the successful advocate in a bad cause, replied to the question in the following terms:

"UNITED STATES SENATE, WASHINGTON, D. C.,
Dec. 9, 1891.

"I have your favor of recent date asking me for a concise definition of the principle of Protection. The only principle I know of universal application to our customs legislation is that it should be of such a character at all times as to secure the highest degree of welfare to the people of the United States. The practical application of this rule of action under existing conditions leads to the admission of one class of articles free of duty while it imposes upon another class revenue duties, and upon still another levies protective duties. It also provides for the free admission of articles or the reduction of duties through agreements for reciprocal trade. To state definitely just what articles should be included in each of these classes and the reasons for such inclusion would require more time than I have at my disposal, and more space than you would be willing to give to a 'concise' definition.

"Very truly yours,
"NELSON W. ALDRICH."

There are very many persons who so fully concur in the defence of honest money and sound finance advocated by Senator John Sherman, that they might well hope to reach concurrence with him also in the matter of taxation. Senator Sherman made the following reply:

"SENATE CHAMBER, WASHINGTON, Nov. 30, 1891.

"It is difficult to answer your note of the 25th by a phrase or two. The common arguments in support of the principle of Protection as a necessary feature of every tariff law have been so often stated that if I had time I could select from the official recommendations of nearly every President up to and including General Jackson, clear and strong declarations in favor of Protection as an object equal in importance to that of revenue in our tariff laws. It is an axiom recognized and practised by all nations that a duty on imported goods is the most convenient, the cheapest, and the best mode of levying revenue for the support of any government, whatever may be its form. It is equally clear that a uniform duty on all kinds of imported goods would be unjust to the consumer. Therefore a discrimination of rates on

different articles is unavoidable. The best policy for any nation is that which, while securing sufficient revenue, will promote a diversity of productions and as extensive a range of employments as may be permitted by the climate and natural resources of the country. In the United States every tariff law since the beginning of the government has recognized the principle and acted upon the policy of Protection. The degree of Protection and the amount of revenue required must vary from time to time according to the wants of the government, or the condition of domestic industries. Upon these details there has been, and always will be, a difference of opinion, but whatever may be the theoretical views of free-traders, the practical framing of a tariff law necessarily involves a consideration of the rates which will either injure or improve home industries. A practical business man would seek to give to each industry suitable to our climate that degree of Protection which will compensate for the difference in the rate of wages in our and other countries, and with a view to induce capital to embark in new enterprises, and to employ labor that would not be degraded by wages below the standard of comfort which American laborers ought to enjoy.

"Very truly yours,

"JOHN SHERMAN."

Hon. Thomas B. Reed sent me in reply to my request a copy of his review of the Mills Tariff Bill. As I did not find any statement of a principle I made a second request, to which Mr. Reed submitted the following rejoinder:

"You ask me to state the principle of Protection, defining the word 'principle' as 'a rule of action and admitted truth requiring no proof.' If you or anybody else could state the principle of Protection in such form that it would be an 'admitted truth, requiring no proof,' you would not be able to write your articles in favor of Free Trade, nor would I have made a speech."

In this Mr. Reed touches the very nub of the case, so as to bring out the fact that the distinguished gentlemen whose replies have been previously given have simply justified a *policy* under the guise of a *principle*.

Other letters from many other correspondents are all in the same direction. The space available for this discussion forbids giving any more of the answers that have been received.

I have given enough to make it apparent that in no one of these statements is there any definition of a principle according to the construction which would be given to that word in any court of justice. Each respondent gives the definition of a *policy*, which he thinks it would be for the best interest of the country to maintain, but which many other persons of equally sound judgment and capacity believe would work injury instead of benefit.

It may be remarked, however, that the defence of the policy of Protection rests wholly upon the assumption that because the rates of wages are higher in this country than they are in others, therefore the cost of labor in each unit of product must be greater, and that leads to the final point upon which I believe Mr. James G. Blaine once made a declaration, that in the end the tariff question is a mere question of wages.

If it can be proved that the rates of wages—which are admittedly higher in this country than in any other, have been attained in spite of the interference with commerce in the free exchanges of this country, and not by reason of that policy, then the whole system must fall.

If high rates of wages are the necessary correlative or result of the production of the goods and wares, from the sale of which the wages or earnings are recovered or derived, because of the low cost at which such products can be made in this country, then it would of necessity ensue that we might control the commerce of the world, and should remove every obstruction thereto.

CHAPTER XV.

Hamilton's Policy.

THE replies of the Senators previously given to the request for a definition of the principle of Protection have given their conception of the facts, especially in respect to wages, on which they justify their policy. I next endeavored to find gentlemen of authority, connected with the higher institutions of learning, who might, either through their knowledge of economic history, or their position as teachers of political economy, be rightly requested to reply to the same question. It is singular, however, that there is but one gentleman to be found within my knowledge, connected with any college or university of repute, who sustains the so-called principle of Protection, Professor Robert Ellis Thompson of the University of Pennsylvania. His reply to my question is as follows:

"PHILADELPHIA, Dec. 4, 1891.

"It is not so easy to make a brief statement of 'the principle of Protection' as it is to render that service for the rival theory. Free Trade rests on theory and assumes ideal conditions. Protection rests on experience, and deals with actual conditions. These latter always are complex, and do not lend themselves to neat formalization.

"In making the attempt to supply what you ask, I do so under protest that what I write is inadequate.

"Nations are industrial as well as political units. To their industrial welfare a diversification of industry is indispensable. Following the law of biological classification they take high industrial rank or law, according to the measure of the industrial differentialism of the parts from each other, and from the whole. This differentialism is the normal process of industrial

growth, which would proceed equably and equally in all countries, if the conditions were the same in all. But as the world now is, no two are equal; and the more advanced find their real (or supposed) interest in monopolizing what they regard as the more profitable industries, and in keeping others on the level of industrial uniformity. They wish to supply the others with highly elaborate products, and take coarser in exchange. The experience of these others is that such exchanges are unprofitable, as exposing them to the largest risks in production, laying upon them the heaviest cost of transportation, and leaving them incapable of military defence. Protection is their resistance to this programme, and is exercised for them by their government, for the reason that it is the business of government to 'promote the general welfare,' by exercising a supervision over the nation's industrial growth with a view to the proper co-ordination of its various branches, This duty of government is not tied to any kind of legislative method, such as discriminating duties on imposts. It has been exercised by prohibitions, bounties, and other measures.

"I should define protection as the policy which, by the collective action of the nation, seeks to divert a part of its capital into a channel in which it would not flow otherwise, and which experience shows to be for the general benefit.

"Very truly yours,

"R. E. THOMPSON."

It will be observed that while the Senators rest their justification of a high tariff upon an assumed difference in the cost of labor in this as compared to other countries, which excess of cost they attribute to the admittedly higher rates of wages, Prof. Thompson justifies the policy upon the ground that "the collective action of the nation may rightly divert a part of its capital into a channel into which it would not otherwise flow, and which experience shows to be for the general benefit."

Before reviewing this letter it may be well to revert to the beginning of the protective system in this country. In the discussion of the tariff question Alexander Hamilton, in the celebrated *Report on Manufactures*, of 1791, was called upon to meet a misapprehension which had then prevailed not only in this but in many other countries, that all wealth was derived from the soil, and that

the processes of manufacture added nothing thereto. This misapprehension which had dominated the policy of nations is now so obsolete that it has a grotesque sound, yet a large part of Hamilton's argument was devoted to an analysis of that idea. Hamilton justified revenue duties so adjusted as to give some advantage or stimulus to domestic industries and manufactures upon other grounds while exposing this fallacy. He said:

"If the system of perfect liberty to industry and commerce were the prevailing system of nations, the arguments which dissuade a country, in the predicament of the United States from the zealous pursuit of manufactures would doubtless have great force. It will not be affirmed that they might not be permitted, with few exceptions, to serve as a rule of national conduct. . . . . But the system which has been mentioned is far from characterizing the general policy of nations. The prevalent one has been regulated by an opposite spirit.

"The greatest obstacle of all to the successful prosecution of a new branch of industry in a country in which it was before unknown, consists, as far as the instances apply, in the bounties, premiums, and other aids which are granted in a variety of cases by the nations in which the establishments to be imitated are previously introduced."

He then refers to the common system of bounties upon exports and other artificial methods of promoting commerce in European countries. Hamilton rests no argument upon the difference in wages and the higher rates which he refers to and considers an advantage on the part of the United States.

The most singular fact bearing upon Professor Thompson's justification by experience is found in Hamilton's list of the manufacturing arts which were, at that time in 1791, as he states, successfully established in this country. The following is the statement:

"To all the arguments which are brought to evince the impracticability of success in manufacturing establishments in the United States, it might have been a sufficient answer to have referred to the experience of what has been

already done. It is certain that several important branches have grown up and flourished, with a rapidity which surprises, affording an encouraging assurance of success in other attempts. Of these it may not be improper to enumerate the most considerable.

"1. Of skins—Tanned and tawed leather, dressed skins, shoes, boots, and slippers, harness and saddlery of all kinds, portmanteaus and trunks, leather breeches, gloves, muffs and tippets, parchment and glue.

"2. Of iron—Bar and sheet iron, steel, nail rods and nails, implements of husbandry, stoves, pots and other household utensils, the steel and iron-work of carriages, and for ship-building, anchors, scale-beams and weights, and various tools of artificers, arms of different kinds, though the manufacture of these last has of late diminished for lack of demand.

"3. Of wood—Ships, cabinet wares and turnery, wool and cotton cards, and other machinery for manufactures and husbandry, mathematical instruments, coopers' wares of every kind.

"4. Of flax and hemp—Cables, sail-cloth, cordage, twine and pack-thread.

"5. Bricks and coarse tiles and potters' wares.

"6. Ardent spirits and malt liquors.

"7. Writing and printing paper, sheathing and wrapping-paper, paste-board, fullers' or press papers, paper-hangings.

"8. Hats of fur and wool, and mixtures of both, women's stuff and silk shoes.

"9. Refined sugars.

"10. Oils of animals and seeds, soap, spermaceti, and tallow candles.

"11. Copper and brass wires, particularly utensils for distillers, sugar-refiners, and brewers; and irons and other articles for household use, philosophical apparatus.

"12. Tin wares for most purposes of ordinary use.

"13. Carriages of all kinds.

"14. Snuff, chewing and smoking tobacco.

"15. Starch and hair powder.

"16. Lamp-black and other painters' colors.

"17. Gunpowder.

"Besides manufactories of these articles, which are carried on as regular trades and have attained to a considerable degree of maturity, there is a vast scene of household manufacturing, which contributes more largely to the supply of the community than could be imagined without having made it an object of particular inquiry. This observation is the pleasing result of the investigation to which the subject of this report has led, and is applicable as well to the Southern as to the Middle and Northern States. Great quantities of coarse cloths, coatings, serges and flannels, linsey-woolsey, hosiery of wool, cotton and thread, coarse fustians, jeans and muslins, checked and

striped cotton and linen goods, bed-ticks, coverlets and counterpanes, tow linens, coarse shirtings, sheetings, towelings and table linen, and various mixtures of wool and cotton, and of cotton and flax are made in the household way, and, in many instances, to an extent not only sufficient for the supply of the families in which they are made, but for sale, and even, in some cases, for exportation. It is computed in a number of districts that two-thirds, three-fourths, or even four-fifths of all the clothing of the inhabitants are made by themselves. The importance of so great a progress as appears to have been made in family manufactures, within a few years, both in a moral and political view, renders the fact highly interesting.

"Neither does the above enumeration comprehend all the articles which are manufactured as regular trades. Many others occur, which are equally well established, but which, not being of equal importance, have been omitted. And there are many attempts, still in their infancy, which, though attended with very favorable appearances, could not properly have been comprised in an enumeration of manufactories already established. There are other articles, also of great importance, which though strictly speaking manufactures, are omitted as being immediately connected with husbandry, such are flour, pot and pearl ashes, pitch, tar and turpentine, and the like."

If careful consideration be given to Hamilton's list, the statement which has been previously made in this series will be justified. There is not a single important branch of manufacturing industry—except those which have been developed by subsequent inventions—now established in this country, which was not, according to Alexander Hamilton, well established and successful prior to 1791. Among the arts which have been developed added subsequently to 1791 and through subsequent invention, now to be found in this country, the only one of any conspicuous importance is the manufacture of cotton.

One may therefore contest the ground upon which Prof. Thompson sustains the so-called principle of Protection, by the proof that is found in Hamilton's evidence of success in manufactures, that experience does *not* justify the claim of the advocates of a high tariff to diversify industry, to maintain wages, or to add to the general pro-

duct of a country. Experience may be cited to prove the very reverse of all these conditions.

Reverting now to the question of wages, it is important in the first instance to submit some general considerations to be subsequently dealt with in more minute detail. In 1880 agriculture gave occupation to forty per cent. or more of all the people who are occupied for gain in this country. The wages earned by those who work for wages in farm industry are higher than they are in any other country with the exception of Australia and New Zealand. The product of agriculture was valued at the farms in 1880 by the Commissioner of Agriculture, on a revision of the census figures, at a fraction under four thousand millions ($4,000,000,000). Taking no cognizance of the small exchanges between ourselves and the neighboring Dominion of Canada, to whose people, owing to our advantage in an earlier spring, we sell more of the products of agriculture than we buy, there were not in 1880, and are not now, five per cent. of the domestic products of agriculture of which any corresponding product could be imported from a foreign country. These articles of possible import consist of sugar, hemp, flax, tobacco, and wool, and a few other insignificant articles. Hemp and sugar have been put into the free list; tobacco, wool and flax are now the only products of agriculture in whose behalf tariff Protection is demanded; they do not now constitute in value two dollars in one hundred of the products of agriculture. The wool of Australia and New Zealand is produced at higher rates of wages than prevail in this country, yet a duty is demanded for protection against the import of such wool upon the ground of its low cost of production. Every other product of our domestic agriculture is produced at a lower cost and at higher rates of wages than prevail in any other country.

The protective system cannot, of course, be invoked in behalf of those who are occupied for gain in professional or personal service or in trade and transportation. Under the head of manufactures, mechanics, and mining, the persons occupied in 1880 numbered 3,837,112.

In the specific list of manufacturing, mechanical, and mining establishments, in which the work is done which might be in part subjected to foreign competition, the total number was 2,732,595, of whom 2,019,045 were males above sixteen, 531,069 females above fifteen, and 181,921 young persons. The product of these establishments, valued at the works, amounted to $5,369,579,191. The cost of the materials used was $3,396,823,549, sum of wages $947,953,795. It will be observed that the cost of materials comes to $63\frac{26}{100}$ per cent., the cost of labor $17\frac{5}{100}$ per cent. But, under this title there are listed establishments like sugar refineries and meat-packing establishments, in which the cost of labor is very small and the cost of the materials is very large. Eliminating such classes, it may fairly be considered that the proportion of labor which is directly exerted in the factory or the workshop is substantially twenty-five per cent. of the cost of the goods. According to the figures of the Commissioner on Woollen and Worsted Manufactures in 1890, lately published, the percentage of labor is given at twenty-three; material at sixty per cent.

The question may now be asked, What are these materials which enter into the various processes of the manufacture of machinery, cars, wagons, boots and shoes, textile fabrics, food preparations, food in its secondary condition, chemicals, and the like? They are the primary products of the field, the forest, and the mine. With respect to all the chief products of the field, such as cotton, grain, hay, and the like, there can be no foreign

competition with us. These articles come into the category of those which are produced at the lowest labor cost and at the highest rate of wages.

Wool is the sole product of the field, except tobacco which must be separately treated, on which any consideration is claimed that is or can be given in tariff legislation. With respect to leather, lumber, marbles, glass, and the like, and with regard to the ingredients of fertilizers and a vast number of other chemical products, no other country approaches us either in the abundance of the supply of crude materials or in the facility with which these resources can be worked at high wages and low cost.

With respect to metal or the products of the mine, there can be no competition by other countries with us in copper, lead, oil, and iron, except in the latter case in regard to special qualities intended for particular purposes. If, then, the duties on crude materials were wholly removed, there would remain only the question of wages to be dealt with in specific manufacturing industries.

It will be remarked that if there were no duties upon the materials which are used in the processes of manufacturing industry this country would hold a superiority over all others in the abundant supply of crude materials derived from the greatest natural resources, from which the highest rates of wages are derived in converting them to use at the lowest cost per unit of product.

We are thus led to the simple question of the expediency of tariff Protection in respect to those branches of industry to which thought is apt to be limited when the word manufactures is made use of. The relation of wages to the cost of labor in those specific branches of domestic industry will be dealt with in the subsequent chapters.

CHAPTER XVI.

Tariff Protection does not Raise Wages.

In the last chapter the possibility of applying the protective idea to the building up of specific branches of industry within the limits of this country by obstructing imports, or by enhancing the cost of imported articles even for the time being, has been narrowed down to those special branches of industry which are included under the title of "Statistics of Manufactures" in the census reports of the United States.

It has been demonstrated that the number of articles, and the proportionate value of such articles as could be imported which belong under the title of "products of agriculture," is so insignificant as not to constitute an important element in the discussion of the subject. It may also be remarked that the total number of persons occupied in mining who could under any conceivable conditions be affected by foreign competition also represents such an utterly insignificant fraction of the working population as to make the application of the legal aphorism "*de minimis non curat lex*" wholly applicable to them. The only branch of mining industry on whose behalf Protection has been seriously invoked is that of the production of iron ore. In this branch of mining the total number of persons employed in the census year 1890 was only 36,341, their average earnings being $357 each for the year; a rate somewhat less than those of a common

laborer engaged in other occupations. Moreover, the most competent and skilful men who conduct the iron industry have proved that the more the ores of Spain and Cuba are admitted freely the more the domestic ores of iron will be required. The case is precisely analogous to that of wool, in which instance the duties on foreign wool have resulted in the depression of the price of domestic wool to the lowest prices ever known.

We may therefore give consideration to the specific branches of industry which are listed in the volume relating to the statistics of manufactures of the United States Census of 1880 under that title. It will be observed that the number of persons—men, women, and children—occupied in these manufacturing arts was 2,732,595 ; their average earnings in the census year were three hundred and ten dollars ($310) each. But it may not be assumed that such a very low compensation corresponded to the full employment for the year. It fell to the writer to compute the data of the cotton manufacture according to the schedules which had been prepared. The conclusion which he reached was this: that, since the new mills, of which many were constructed during the year, were included without regard to the time of their operation, while others, owing to circumstances, were stopped for a part of the year, the sum of wages should have been increased by twenty per cent. But there are many arts that are listed under the title of manufactures that can only be conducted at certain seasons, therefore this sum of wages would represent even less than three fourths of the year. Giving due regard to this element of uncertainty which the census authorities of 1890 have endeavored to correct, it would probably be safe to estimate that the actual average earnings of those who are occupied under this title in 1880 approximated four hundred dollars ($400)

each for a full year's work. Since 1880 there has been a marked increase in the rates of wages or earnings of all occupied for gain above the grade of common laborers. So far as the writer has been able to obtain the data, this advance in rates of wages may be estimated at from ten to thirty per cent. as compared to the rates of 1880; the proportionate advance in each class being in ratio to the relative skill required in the work. The wages of the common laborer have not advanced very much, but he has been rendered able to buy more for his wages on account of the reduction in prices; the skilled laborer has secured the highest rates of earnings ever known in this or any other country and can also buy more for each dollar.

The advocate of Free Trade who denies this advance makes a mistake; the advocate of Protection who attributes this advance to a high tariff makes a greater mistake. The conclusion which the writer has reached after a very long study of the subject is that the direct effect of a protective tariff upon protected industries in respect both to profits and wages has been greatly exaggerated by both parties in the discussion. Its effect in stimulating a few branches of industry is hurtful rather than otherwise, being apt to end in a local over-production; this excess, owing to the higher cost of materials under the present tariff, cannot be exported, and it therefore depresses prices until the over-production for our own use is stopped. The effect upon the general progress of the country has not been felt in any considerable measure because of the very limited number of industries of which a product of like kind could under any conditions be imported.

On the other hand, the evil effect of the obstruction to the exchange of our own products for those of foreign

countries can hardly be exaggerated, because this influence is felt in stopping the export of that excess of domestic products which we cannot consume ourselves and which can only be sold for export. The prices of this excess become a regulator or determining factor in the price of all our great crops. The high-tariff system has in my judgment worked privation, qualified in some slight measure for short periods by somewhat excessive profits, but has been without permanent influence on wages unless to retard the advance in some small measure; this general advance has nevertheless been constantly in progress.

The space permitted in this series will not allow a complete analysis of the statistics of manufactures. The census documents, however, are of ready reference, and it needs but a short consideration of a very few branches of industry to demonstrate the point under discussion. In a previous chapter this subject has been touched upon with reference to titles in dealing with the census of occupations.

Referring to the statistics of manufactures, we find at the head,—Agricultural Implements. In this branch of industry we lay claim to excel nearly every other nation, and, in spite of the relatively higher cost as compared to other countries, due to the duties upon iron, steel, and other articles which are the component materials of chief value in this branch of industry, we are large exporters of this class of goods. Moreover, the average wages in this art are much higher than the average disclosed by the general statistics of manufacture; the amount earned by each person in the census year having been very nearly four hundred dollars ($400), without making any addition for full time to what is disclosed by the figures themselves. Actual average probably nearer $500.

Under the next title of considerable importance we

come to Blacksmithing. It goes without saying that the industry of the blacksmith belongs of necessity to the place where he works. There can be no foreign competition of any moment with him. Brick- and Tile-making gives employment to a large force of stalwart men with whom there can be no foreign competition; Bread and Bakery products the same. Carriages, Wagons, and Street Cars are made almost exclusively and of necessity within the limits of the country, and of them we are also exporters. The wages earned in this branch of industry are very high relatively to all others, the workmen making their goods at low cost.

Cheese- and Butter-making is included under the title of manufactures, of which products we are large exporters. In Clocks we excel all nations.

Whether we should import any Clothing, except as a mere "fad" or fashion from other countries, cannot be determined until the materials are supplied to our clothiers on even terms with their competitors in other countries.

Flour, Grain, and Milling products count very heavily under the head of manufacturing, giving employment to a very large force at very high wages relatively; of course there can be no foreign competition.

In Furniture we excel at high wages and low cost, exporting it in no inconsiderable measure. In Lumber and Wood-working we find one of the most considerable items under the title of manufactures. In this, again, we absolutely need the product of the Canadian forests in order to prevent and stop the destruction of our own.

Slaughtering and Meat-packing count for a very large element under the title of manufactures. In this, again, the wages are very high and the cost of the conversion of the product very low.

In short, when a thorough and judicial examination is made of this list of manufactures, the number of branches of industry is very small in which any considerable foreign competition could under any circumstances exist, or in which articles could be imported from any other country of like kind; while the number of persons who could be in part subjected to foreign competition is distinctly less than one-half of the whole number included in this specific census list. Again, a very large part of those who, under our present conditions, are subjected to foreign competition in some measure, would be wholly relieved from foreign competition by removing the tariff tax from the crude or partly manufactured materials which enter into the processes of the specific branches of industry in which they are employed.

My own analyses of the occupations of 17,400,000 men, women, and children, who were occupied for gain in 1880, led me to the conclusion that not exceeding 1,200,000 were engaged in any kind of work of which a product of like kind could be imported, of whom 200,000 were occupied in agriculture. On the other hand, computing number of persons by ratio to value of exports, 1,400,000 occupied in agriculture and 200,000 in manufactures depended wholly on sales of their product for export.

SUMMARY.

Total number occupied for gain			17,400,000
Subject in part to foreign competition :			
Manufactures.....	1,000,000		
Agriculture.....	200,000		
		1,200,000	
Producing wholly for export :			
Agriculture.....	1,400,000		
Manufactures.....	200,000		
		1,600,000	
Directly affected by tariff legislation..			2,800,000
Affected indirectly, but occupied in work of which the product could neither be imported nor exported..			14,600,000

It is clearly proved by the figures of the comparative wages in the arts in whose behalf the Protection of a high tariff has been invoked, that these wages are relatively lower than in the arts which can *not* be subjected to foreign competition. It may also be held and would surely be proved by a purely judicial observation, that there has been no excessive profit covering a long period either in the textile or metal industries that have been stimulated by a protective tariff. According to the observation of the writer, covering fifty years, the protected industries have been subject to greater fluctuations, greater variations, and to heavier losses than almost any other branches of industry that can be named. Abnormal profits have sometimes been attained; notably in the case of steel, but these profits may be attributed in much greater measure to the control of the Bessemer and other patents by a comparatively small number of persons, than to duties on imports.

The claim made by the advocates of the McKinley act and the various high tariffs that have been enacted subsequently to the war tariff, under which the rates of duty then imposed have been actually raised, that the prosperity of this country and the advance in wages which have marked the last twenty-five years are to be attributed to this system, has no support whatever in the facts, for the reason that the direct effect of such acts is limited to such a small proportion of those who are occupied for gain as to make it one of the minor or lesser factors in any aspect of the case.

Those who attribute any general influence upon the rate of wages to the stimulus that has been given to protected industries, even admitting that the effect of that stimulus has been a very considerable additional development of work on those lines, wholly fail to take note of the fact that we pay for our imports with our exports.

The rates of wages in the production of what we export are relatively much higher than they are in the conduct of the arts which have been stimulated by Protection. In fact, the chief argument for the Protection of manufactures has been the high rates of wages which could be earned in the conduct of agriculture. Therefore, no one can fail to admit that, so far as an obstruction to imports is also an obstruction to exports, the results might be a reduction of wages rather than an advance in the rates. Such I think, has been the fact, although the influence of the system upon wages has, I think, been exaggerated on both sides.

On the other hand, the heavy advance in the rates of wages in all the arts that have not been subjected to the stimulus of the tariff while the cost of labor in each unit of product has been reduced, gives conclusive evidence that the influences to which our prosperity may be attributed are something wholly outside of the fiscal policy of the country. The progress of the country can rightly and only be attributed to the application of science and invention to all the arts in which we excel,—to the development of the power of steam and electricity,—to the reduction in the cost of transportation, both by land and by sea,—and yet more than all to the continental system of free exchange among the people of the several States that make up the Union.

It may be judicious to give one example of the potent forces which have been tending to a reduction in the price of articles of prime necessity, accompanied by an advance in the rate of wages, by reference to a single incident. In a discussion upon the silver question at a meeting of the British Association for the Advancement of Science in Manchester in September, 1887, a great deal was said by advocates of what is called bi-metallism

upon the injurious effect of the competition of India on a silver basis with the production of wheat in Great Britain on a gold basis, it being assumed that the discount on silver as compared to gold worked as a premium upon its export from India to Great Britain, it being also alleged that silver retained its old purchasing power in India, which is an error. I ventured to call the attention of the scientists to the prime importance of the competition of the United States upon a gold basis in bringing about the reduction in the price of wheat in Great Britain, and I remarked that such had been the progress in invention since the date when wheat sold for fifty shillings a quarter in Mark Lane, as to have made a return of thirty-four shillings a quarter in 1887 quite as profitable to the grower as the former price of fifty shillings. This statement raised almost a storm of execration about my ears, which found its expression in the *London Times*, whose editor subsequently declined to print the proofs which I subsequently submitted sustaining my statement. In the interval between 1873 and 1887, the self-binder had been perfected and attached to the reaper, thus rendering it possible to harvest an immense wheat crop which could not otherwise have been gathered. The export of flour had to a considerable extent taken the place of the export of wheat, while the railway charges and the freight by steamer, due to the adoption of the Bessemer rail and the compound marine engine, had been excessive. In the interval between 1873 and 1887, we had also met all the difficulties and had surmounted them, which were connected with the restoration of a gold standard in 1879. Such had been the effect of the application of science and invention that the railway charge for fifteen hundred miles from Minnesota and Dakota to the seaboard had been reduced eleven shillings per quarter,—reduction on

steamship charge five shillings,—the reduction in the cost of planting and reaping two shillings, the sum saved in milling and sacking three shillings, and the reduction in elevating and handling one shilling. In fact there had been a gain between 1873 and 1887, which had been divided between the producer and the consumer, of twenty-two shillings per quarter of eight bushels of wheat. The average price of wheat in Mark Lane, for the years 1870 to 1873 inclusive, had been fifty-four shillings and ninepence per quarter. Deduct twenty-two shillings paid in 1873, subsequently saved in production and transportation, and there was left thirty-two shillings and ninepence as the average return to the American farmer on the prices of 1870 and 1874. The price in 1887 was about thirty-four shillings, which left the American farmer a better result than fifty-four shillings and ninepence had yielded him from 1870 to 1873.

This statement was bitterly contested, and it was denied that a return of thirty-four shillings would yield any profit to the American farmer in 1887. The Englishman could not believe it.

Since that date, in 1887, there have been still further reductions in all these charges, while the price of wheat in Mark Lane for the present season has been thirty-six shillings per quarter. Wages are higher on the farms at the present time than they were in 1887; the cost of production and distribution is lower.

I also made an analysis of the cost of the production of wheat in Rhenish Prussia, where the highest rate of wages paid the farm laborer was six dollars per month, the average rate much less, but the cost of the wheat was eighty cents a bushel. The cost of the wheat on many of our Western farms at four times this rate of wages is less than one-half that sum, or forty cents. What influence has the

tariff or duty upon imports upon the product of agriculture of this country, except to obstruct exports, consideration being given to these potent influences of other kinds?

The number of persons, workingmen and working-women, and others whose home market rests wholly upon the demand for export, is larger than the total number of persons occupied in all the arts of which any part could under any conditions be imported from a foreign country; the two bodies of working people together constituting but fifteen to seventeen per cent. of the whole number who are occupied for gain in all the work of this country, the proportion varying somewhat year by year. Is it not the free exchange of the products of the field, the farm, and the factory among the people of our land which is of prime importance in determining the abundance of the product, the rate of wages derived from that work, and the distribution of that product?

Those who fear a reduction of the duties as well as those who hope for a reduction, may well bear in mind that, after all has been said, the tariff system is only one of the minor and not one of the major forces affecting the condition of our country. I am the more careful to press this point, because it will render the solution of all our difficulties much easier when the true measure of the problem is fully comprehended.

CHAPTER XVII.

Protection Promotes War; Free Trade Promotes Peace.

By the admission of the most prominent advocates of the present system of high duties from 1861 to 1867, and also by the admission of the Senators whose letters have been quoted, it has been proved that this method of applying the protective idea is *not* based upon a principle.

It is not, therefore, "an admitted truth requiring no further proof," nor is it "a rule of action among human beings." A high-tariff system represents merely a policy of which the purpose is to give another direction to the common rule of action among human beings than men would adopt if not forced to do so by tariff taxation.

The declared purpose of this policy is either to raise or to maintain the rate of wages above the rates prevailing in other countries, or to divert capital from the investments which would otherwise be chosen by its owners into arts which would be freely chosen were there no such policy of taxation. The complement or correlative of such laws are those of a precisely similar character which are called for by workmen for limiting the hours of labor and regulating methods of payment. All these acts are in a certain measure socialistic or even communistic in their very essence.

Free Trade, on the other hand, requires no force; it is what men engage in of their own motive and for the joint benefit or mutual benefit of both buyer and seller. It is true

to the definition of principle—it is "an admitted truth which requires no further proof," that "the rule of action among human beings," who have risen above the stage of savagery, is to trade freely; that is to say, to exchange products with each other for mutual benefit. It does away with distribution by war, slavery, and force, substituting exchange by mutual agreement for the profit of both buyer and seller. It is "an admitted truth which requires no further proof," that this exchange of product for product is an exchange of service by which men help each other. Free Trade or commerce among men and nations tends to the maintenance of peace, order, and industry. Witness the relation of the Dominion of Canada with this country during the civil war. It fortunately happened that before the civil war a treaty of mutual reciprocity in trade had been negotiated which was not ended until after the struggle. Under these favorable conditions beneficial to both countries—such was the influence that, although every effort was made by the most capable agents of the States in rebellion to incite Canada to attack the North, not one single regiment was required to guard our northern frontier, and not one ship of war was required to be stationed before the dominating port of Halifax. One of the most potent arguments by which Chancellor Caprivi has lately carried the treaties of reciprocity between the German Empire with Austria, Italy, and other countries, is that when men exchange products with each other they may not fight. It is the first step of relief from the standing armies that are eating out the very heart of Europe.

But it is true that there still are a few cranks in this country, some even in the Senate of the United States, who regard commerce as a sort of passive international war; men seriously object to the import of what they call a flood of foreign luxuries, upon the ground that such an

import is a warlike attack upon our domestic industry, regardless of the fact that the greater part of these imports consists of the necessaries or comforts of life, or of crude materials of foreign origin without which some branches of our domestic industry would be destroyed.

With singular fatuity, these legislators are among the most prominent advocates and upholders of bounties and subsidies to lines of steamships connecting the United States with foreign countries; their purpose being to help the United States inflict the injury upon them from which they assume to defend themselves, *i.e.*, to flood other countries with our products; that is to say, to flood Great Britain with our cotton and our grain, and to flood other nations with our manufactured goods and wares, while refusing to accept payment for our surplus products in articles which are of foreign production that we need in place of these exports. Surely what is sauce for the gander is also sauce for the goose. Yet these advocates of bounties are the very men who hiss at a reduction of our tariff, and who impute to those who try to promote commerce without bounties a dishonest seeking after British gold. Let them pass, their light can easily be hidden under a bushel because it is so feeble.

The fallacy which underlies this crude theory of trade is the same as the misconception which has led to the commercial wars of the last three centuries,—the false idea that a country profits only in its trade when it imports gold or silver in exchange for goods; or that when it imports more goods than it exports it must be meeting with a loss. It is no longer worth while to waste time in dealing with such persons, because as fast as they die their places are taken by men of a broader type and of greater intelligence, and also because with them it is useless to discuss this question, as they have presented these falla-

cies until they have become incapable of reasoning upon the basis of facts.

Suffice it, while Protection by means of a high tariff has only been defended by its original advocates, as a temporary expedient or policy of which Free Trade is the ultimate end, on the other hand Free Trade is founded upon a principle so universal and so fully constituting a rule of action among human beings that it always has and always will require force to prevent its application.

A high tariff only finds its justification among those who regard international commerce as a state of war, while Free Trade is sustained by its advocates because it promotes peace, order, and industry, good-will and plenty among all the nations of the world.

Free Trade may be especially desired in that country in which science and invention applied to the greatest natural resources have developed the largest product at the lowest cost from which the highest rates of wages are derived. That is the condition of this country. Our selfish interest is in Free Trade because we should gain the most in commerce whatever tariffs other nations might oppress themselves with.

It is this aspect of the case that lifts the discussion above one of mere profit and loss, and which raises it to the highest plane in ethics and in morals.

While the intentions of the advocates of what is miscalled Protection, but which is in fact privation, are doubtless good, they are of the same kind as the intention with which the road to Sheol is said to be paved, and in their application they have almost made a Sheol of the civilized world for about four centuries.

It would perhaps be difficult to discriminate between the wars which have been conducted in the name of religion and those which have ensued from the attempts to

restrict commerce. The religious wars (God save the mark!) of France and Spain, drove the Moors and the Moriscoes with their arts and literature into Africa and the Huguenots and Flemings to England, as the persecution of the Jews is now driving the traders and bankers of Russia from her soil, thereby turning what might have been only the ill-effects of a short crop into a famine.

From the time when Columbus discovered the West Indies, or when Amerigo Vespucci discovered America, down to the present date, nearly every war has originated or has been conducted for the purpose of preventing one nation sharing with another in the benefits of commerce.

The efforts of France and Great Britain, through the Berlin decrees of Napoleon and the Orders in Council, to deprive each other of the benefits of commerce, first compelled Napoleon to sell Louisiana to this country, thus transferring to us a territory which, stretching from the Gulf of Mexico to the borders of Canada, will presently be the dwelling-place of a greater people than will occupy either Great Britain or France; a part of whose commerce through the Sault St. Marie Canal that unites the great lakes even now exceeds the traffic of all Europe with the East through the Suez Canal.

The end of all these wars of a single century since the French Revolution of 1793 has been that France has been exhausted in her efforts to depose the Bourbons and the Napoleonic dynasty, varying her efforts to govern herself by futile attempts to prevent the union of the people of Germany and Italy.

The several nations of the world, mainly European nations, whose debts are recorded, are now burdened with a national debt, of which the aggregate amount is $26,621,222,135 net, mostly incurred for the conduct of wars

undertaken or continued mainly for the restriction of commerce. This debt is increasing.

In the effort to prevent commerce among about twenty separate States occupying the continent of Europe, of which the area, omitting the frozen regions of Europe in the one case and Alaska in the other, is about the same as that of the United States, taxes are raised at the tariff barriers amounting to about $700,000,000, while armies numbering over 3,000,000 men in active service are kept in camp and barracks at a cost, with navies added, of about $1,000,000,000. As the result of this system, great areas of most fertile land in Eastern Europe are lying waste; Russia is famine-stricken; large districts in Italy are devastated by the *pellagra*, a loathsome disease due to the want of adequate nutrition; the people of Germany are distinctly under-fed in many parts, while all Europe is dependent in part upon us for food.

This whole waste of war and this whole condition of abject want are based upon and caused by the same stupendous blunder upon which the McKinley tariff act has been promoted, enacted, and is now sustained, to wit:

That international commerce is a state of passive war, and that in the exchange of products what one nation gains another must lose.

It is hard to maintain a judicial frame of mind in dealing with such pagan conceptions which belong to an age when men were just emerging from what John Fiske describes as the higher stage of barbarism that precedes civilization.

It may not be that this error will be removed by any process of reasoning, or by any mere demonstration of the facts; the remedy has come from the profound distrust of the very misconceptions on which this whole series of arguments and acts, culminating in the McKinley act, are but the logical development.

The intelligence of the country has at length condemned the whole policy, and it now demands to be governed in its legislation by those who represent the principle of Free Trade, which is founded upon the conception of mutual service, under the guidance of men who will put principle above policy in the conduct of the public duties with which they have been or may again be charged.

On the other hand, in support of the statement which has already been made, that the effect even of a very high tariff system has been exaggerated, one comparison in figures may be serviceable. *The Statesman's Year Book*, for 1891, gives the customary statements of the imports and exports of all the European States, the colonies and dependencies of Great Britain, and the nations or States of North and South America. Disregarding fractions, the exports of Great Britain and her colonies and dependencies comes to six thousand million dollars ($6,000,000,000), or what we would call six billions; the sum of the imports and exports of all the other European States is eight thousand million dollars ($8,000,000,000), or eight billions; the sum of the imports and exports of the South American and Central American States makes thirteen hundred million dollars ($1,300,000,000); of the United States seventeen hundred million dollars ($1,700,000,000)—total three billions. The aggregate of the international commerce of all the countries, nations, or states in regard to which the facts can be ascertained, is seventeen thousand million dollars ($17,000,000,000), or seventeen billions. The product of the United States is computed at twelve thousand five hundred million dollars, of which perhaps five hundred million dollars' worth may be consumed upon the farms or by those who consume the goods which they produce themselves. The rest is exchanged, it is all bought and sold.

A single transaction or one exchange of this product, therefore, corresponds for purposes of comparison to the figures of the import and export in international commerce. Our domestic transactions on a single exchange come to twenty-four thousand million dollars ($24,000,000,000), or twenty-four billions. Our export and import amounted to seventeen hundred million dollars ($1,700,000,000), therefore constituting on single transactions a fraction over seven per cent. of our commerce, again bringing into conspicuous notice the fact that the domestic commerce only of the people of this country exceeds the sum of all the international commerce of all the nations of the earth of which we have any record.

Again, it may be remarked that the sum of the railway charge for carrying the freight only over the railways of the United States now amounts annually to a sum but little less than the volume of our exports and considerably exceeding the value of our imports from foreign countries.

It is difficult to compute the measure of the free commerce of the people of the United States who constitute a more numerous body occupying a wider area, than were ever before permitted to enjoy the benefit of absolute Free Trade.

The sum of our exports and imports combined comes to about twenty-eight dollars per head, our national product is not far from two hundred dollars' worth per head, of which a single exchange would represent purchases and sales to the amount of four hundred dollars each, or nearly fifteen times the volume of foreign traffic. But each element in our product is dealt in many times, converted and re-converted until it is ready for consumption, so that the exchange of products and services among our own people cannot be less than three times the first value of our annual product, and that would bring the sum of our

domestic transactions to the incomprehensible total of $40,000,000,000 or what we call forty billions of dollars in this present year.

Yet there are those among us who would debase our standard of value and by the free coinage of silver dollars under present acts of legal tender would endanger this whole traffic. The tax which would be put upon the work of this people by substituting a dollar which is only worth sixty-eight cents after it is melted, in place of a dollar which is worth after it is melted as much as it is in the coin—one hundred cents—would be so disastrous as to put the McKinley act out of sight and out of mind.

CHAPTER XVIII.

Does Tariff Protection Promote Liberty?

It may be asked why the matter of the tariff should at the present time be a cause of disruption of existing parties and be tending toward a division and reconstruction of parties on new lines?

The reason is that men of both existing parties have combined to defeat the effort to protect the little petty product of the silver mines by paying for it more than it is worth, and are now ready to combine to stop the effort to give bounties to the producers of wool and pig-iron.

This latter effort will be brought about by a combination of the representatives of the States whose products depend on the sale of the surplus for export with the representatives of States that will no longer submit to taxation on the materials which are necessary in their manufactures. It now remains to develop the distinction which I have made in the relative effect of duties upon imports, upon our exports.

It would be judicious for the advocates of a reform of the tariff to admit that when the so-called protective duty has been imposed for a sufficient length of time upon any article of foreign origin, for the production of which we possess equal advantages in this country as compared to other countries, a stimulus may be given to that specific branch of industry and it may be subjected to such urgent domestic competition as to cause a rapid reduction in the

price of that article. That is the reason why many branches of industry which have been subjected to the unwholesome stimulus of a high tariff have been, on the whole, the cause of more loss to the investors than a source of profit. The worst kind of competition to which a skilful manufacturer can be subjected, is the forced competition of people who are not capable of conducting the business but who are induced to go into it by a protective bounty or preference.

Yet the only ground on which this system is justified is that which has been presented in the recent tariff cases brought before the Supreme Court. The law officers of the government justified not only the protective system but direct bounties to the sugar-planters upon the ground that the power vested in Congress to enact such a measure was ample and complete under the general provision of the Constitution, that Congress may legislate "for the general welfare." While it is true that the court did not render any decision directly affecting the bounties to the sugar-planters, its decision on the whole sustained the ground presented by the law officers of the government.

That argument was in these terms in the briefs of the Attorney- and Solicitor-Generals who represent the present administration:

"The sugar-bounty clause was for the purpose of encouraging the production of raw sugar in this country."

"It may be conceded that the bounty must be paid out of the Treasury of the United States from funds raised by taxation, and therefore that, unless Congress has power to levy a tax for the purpose of paying the bounty, an appropriation for a bounty is beyond its power."

"Congress has power therefore to levy duties for the purpose of providing for the general welfare of the United States. It has been held in a number of cases, upon which the appellants' counsel rely, that taxation must be for a public purpose, and therefore that, where it is proposed by a municipal corporation to pay money or lend credit to a private individual or company

as an inducement to the construction of works within the limits of the municipal corporation, the remote consequences of benefit to the people of that corporation are not sufficient to make the purpose of the donation a public one, and laws authorizing the same are void."

After quoting the cases cited against them, the law officers of the government then proceed with their argument in the following terms:

"The foregoing do not include all the cases on the subject, but they are sufficient to show the principle which the appellants here invoke to invalidate the bounty clause under consideration. We respectfully submit that they have no application in this controversy. They are all of them cases of municipal taxation which must be for public municipal purposes. It is obvious that the establishment of a particular industry in one place by a bonus to specified private individuals is a very different object for taxation than the encouragement by the national government of a widespread industry in many quarters of the Union for national purposes, with a view to diversifying the industries of the country and making it independent of other countries for necessities."

"The principle was laid down in the case of Lowell *vs.* Boston, *supra*, that a purpose was not a public purpose because, by affecting the private interests of a great many individuals, it would ultimately affect the public weal. With respect to municipalities and States that can have no international relations, this is undoubtedly true, but the subject assumes a very different aspect when treated from the standpoint of the collective industries of a nation in competition with and in relation to the industries of other nations."

"Such national action is required to offset the encouragement of the same industry in other countries, lest thereby we be made altogether dependent for the supply of a necessity upon countries thus far removed."

"The Second Act of the first Congress of the United States, approved July 4, 1789, was an act imposing duties, which expressly recited its purpose to be the protection and encouragement of manufactures. The recital is as follows:

"'SEC. 1. Whereas it is necessary for the support of government, for the discharge of the debts of the United States, and the encouragement and protection of manufactures, that duties be laid upon goods, wares, and merchandise imported, be it enacted, etc. (I Stats., 24).'

"The principle thus established necessarily justifies bounties, for, in the beginning of the operation of a protective tariff the amount of duty levied

is a bounty to the domestic manufacturer, and it is with a view to such a benefit for him that it is levied. The sugar duties have always had the effect of a bounty to domestic sugar producers. . . .

"The question of the validity of bounties is thus as old as that of the protective tariff, and has been answered in the same way by constant legislative and executive action, in accordance with the views of that ablest of statesmen and jurists who penned the Report on Manufactures. . . .

"If a century's construction of the Constitution by Congress is binding on the courts, then the question of the power to tax for a bounty to particular industries is no longer an open one. . . .

"A course of legislation and an acquiescence of the people as old as the nation itself has sanctioned both direct and indirect bounties for the encouragement of those industries which are closely allied with national growth and national independence, as a public purpose and within the power of Congress. . . .

"We have been discussing heretofore the validity of the bounty features of the sugar clause on the theory that provision of this sort was for the general welfare. There is another ground upon which it can be supported. All the authorities agree that the government may recognize a moral obligation to any class of citizens by direct appropriation, though the claim is not based on strictly legal grounds. . . .

"Here was a case where citizens, by reason of heavy sugar duties which had existed for many years, had been induced to make large investments in the plant required for the production of sugars; and now it was proposed by Congress to remove the duties because the revenue which they produced was more than sufficient for the use of the Government. The removal of duties would absolutely destroy fifty or sixty million dollars' worth of property invested in this industry and protected by the duties. To enable persons whose property would be thus injuriously affected to prepare for the change, the Government was under a moral obligation to reimburse them for their loss or permit them by a bounty to continue the business until such time as the business might be self-sustaining."

It will be observed that, so far as the Supreme Court sustained this construction of the powers of the National Congress, it held that the principle laid down by Justice Miller in Loan Association *vs.* Topeka, which I have previously cited, does not govern.

The principle was that "To lay the hand of the Government on the property of the citizen, and with the other

bestow it upon favored individuals to aid private enterprises is none the less robbery because it is done under the forms of law and is called taxation."

In defence of the McKinley act the law officers of the present administration sustained the right of Congress to commit this robbery under the forms of law, but the court did not give a decision upon that branch of the case. That issue may be raised directly at some future time.

It follows of necessity that, under the pretext of Protection, any and all persons in the United States may be taxed by the Congress of the United States for the benefit of any single class of persons that any Congress may select for a bounty.

If this position is sustained when the direct question of a bounty is adjudicated, it will follow that the legislative powers of the Congress of the United States may be misused without limit. Any tax to support any undertaking which a temporary majority of Congress may declare to be for the common welfare must be held to be for a public purpose, and so far as the Court has yet passed upon this claim, it has declared itself to be no longer a co-ordinate branch of the government, and that after such bounty has been paid for a certain period the recipients secure a vested right in the proceeds of taxation which the Supreme Court is powerless to abate.

It would also appear that the powers of the Congress of the United States are supreme—even greater than those of the Parliament of Great Britain in spite of the assumed restrictions of our written Constitution.

This renders the discussion of the tariff system as a matter of principle yet more imperative upon the people of this country, for the reason that where Protection begins revenue ends. That is to say, if a tax is levied

upon a foreign import that so raises the cost of that import to the consumer as to make it expedient for him or any one else to undertake the manufacture of a domestic product of like kind,—then, as a matter of course, the import of that article ceases, and the revenue which had been derived from that import ends.

Now it will be observed that the so-called principle of "Protection with incidental Revenue," and the effect of the McKinley act, which is based upon that idea, is to remove the duties upon imports of articles that cannot in the judgment of Congress be produced in the United States at equal advantage with other countries.

On the other hand, the so-called principle and the purpose of the McKinley act is to put the rate of duty so high that everything which, in the judgment of Congress, can be produced in this country shall be manufactured here, so as to stop the import of foreign goods of like kind. It follows of necessity that if the double purpose of this act *could* be carried into effect, all revenues from duties upon imports would cease, and that would render a resort to a direct tax for the support of the Government an absolute necessity.

This policy is therefore based upon the idea that the voters of this country will surely elect members of Congress who will be more competent than the voters themselves to determine what branches of industry may be rightly and profitably undertaken in this country, and what may not. The fallacy of this conception was never more completely exhibited than by Daniel Webster when he defended Free Trade upon principle before he had become a mere advocate of the policy of Protection in his later years.

In the great meeting held in Faneuil Hall in 1820 he used these words:

"It would hardly be contended that Congress possessed that sort of general power by which it might declare that particular occupations should be pursued in society, and that others should not. If such power belonged to any government in this country, it certainly did not belong to the general government. The question was, therefore, and he thought it a very serious question, whether, in laying duties under the authority to lay imposts, obviously given for the purpose of revenue, Congress can reasonably and fairly lose sight of those purposes entirely, and levy duties for other objects. Congress may tax the land, but it would be a strange proposition if Congress should be asked to lay a land tax for the direct purpose of withdrawing capital from agriculture and sending those engaged in it to other pursuits. The power, however, exists in the one case as much as in the other. It is not easy, it must be confessed, to draw a limit in such cases, and therefore, perhaps, it must be presumed in all cases that the power was exercised for the legal purpose, the collection of revenue, and that whatever other consequences ensued must be regarded as incidental and consequential to the exercise of the power. Still, it was a question very fit, in his judgment, to be considered by Congress, whether it was a fair and just exercise of power to elevate the incidental far above the primary object, or, to speak more properly, to pursue the latter in utter disregard of the former.

"To individuals this policy is as injurious as it is to government. A system of artificial government protection leads the people to too much reliance on government. If left to their own choice of pursuits, they depend on their own skill and their own industry. But if government essentially affects their occupations by its systems of bounties or preferences, it is natural, when in distress, that they should call on the government for relief. Hence a perpetual contest carried on between the different interests of society. Agriculturists taxed to-day to sustain manufacturers; commerce taxed to-morrow to sustain agriculture; and then impositions, perhaps, on both manufactures and agriculture to support commerce. And when government has exhausted its invention in these modes of legislation, it finds the result less favorable than the original and natural state and course of things. He could hardly conceive of anything worse than a policy which should place the great interests of this country in hostility to one another—a policy which should keep them in constant conflict and bring them every year to fight their battles in the committee rooms of the House of Representatives in Washington."

It is manifest that even though Webster was the great defender of the Constitution and the representative of a party that carried its conception of the Federal power to

an extreme, even he never dreamed of handing over the supreme power of Congress to the domination of the representatives of three petty branches of industry, such as Silver, Pig-Iron, and Wool, by whom the Government has of late been controlled and in whose administration of power no man in the whole country possesses any rights of property which a Congress so dominated and controlled is bound to respect.

The reaction has come, and it will very soon appear that this is a democratic country whose legislation is to be governed by the people for the people, and that no tax shall be levied which the Government does not receive and does not also retain for the public service only.

It may now be expedient to deal with and to define the principle of Free Trade, construing words as they are given in the dictionary. Free Trade is but a synonym for Liberty. Liberty is defined as the state of a free man. In support of this proposition we may cite a definition of Liberty given in one of the highest courts of our land by one of our greatest jurists.

In People *vs.* Gilson, N. Y. Reports, Vol. 109, p. 389, 1888, Judge Peckham gave a broad and lucid construction to the word liberty in deciding adversely upon a statute by which the Legislature of New York had attempted to interfere with the freedom of trade among its own citizens.

The learned Judge ruled that:

"The term liberty as used in the Constitution is not dwarfed into mere freedom from physical restraint of the person of the citizen as by incarceration, but it is deemed to embrace the right of man to be free in the enjoyment of his faculties with which he has been endowed by the Creator, subject only to such restraints as are necessary to the common welfare. Liberty in its broad sense, as understood in this country, means not only the right to freedom from servitude, imprisonment, or restraint, but the right of one to use his faculties in all lawful ways, to live and work where he will, to earn his livelihood in any lawful calling, and to pursue any lawful trade or vocation."

In the application of this principle of liberty, we may now put in quotation marks the definitions which are either to be found in the dictionary or in the decisions of the highest courts of our land with the exception of the Supreme Court.

A principle is "a settled law or rule of action in human beings." The principle on which the nation is founded is that of *Liberty*. The Constitution assures to every citizen the right of "life, liberty, and the pursuit of happiness." Liberty is "the state of a free man." To be free is to be "rid of that which confines, limits, embarrasses, oppresses, and the like." Liberty in its broad sense is the right of one to use his faculties in all lawful ways, to live and work where he will, to earn his livelihood in any lawful calling, and to pursue any lawful trade or vocation. Trade is "the act or business of exchanging commodities by barter or of buying and selling for money." Free Trade is therefore "the buying and selling of commodities" without being subject to acts which "confine, limit, embarrass, or oppress."

In the exercise of Free Trade the citizen is entitled to Protection which is "preservation from loss, injury or annoyance" in his undertaking to "earn his livelihood in any lawful calling and to pursue any lawful vocation."

The citizen cannot be deprived of the right to Free Trade by any act which "limits, embarrasses or oppresses him," or by "taxation, except for a public purpose," the Supreme Court when dealing directly with the rights of citizens having rendered a decision that "to lay the hand of the government on the property of the citizen and with the other bestow it upon favored individuals to aid private enterprises, is none the less robbery because it is done under the forms of law and is called taxation."

The levy of a "duty" upon foreign imports is to im-

pose a "tax, toll, impost, or custom." A tax is a "rate or sum of money assessed on the person or the property of a citizen by government for the use of the nation or State" which cannot lawfully be used for any private purpose.

The effect of a tariff for what is miscalled "Protection" is to "limit, embarrass, and oppress" the citizen in the pursuit of his lawful "trade or vocation" for the purpose of "laying the hand of the government on the property of the citizen, and with the other bestow it on private individuals;" or, in other words to levy a tax which is not for the use of the government.

The policy of Protection under such acts as the McKinley act, when rightly defined is, therefore, a policy of privation. Free Trade qualified by the taxation of imports in order to raise a revenue for public purposes only, is the right of every citizen.

It may therefore be the duty of every citizen, without distinction of party, to vote only for members of Congress who will so adjust the duties upon imports that all taxes that the people pay the government shall receive.

CHAPTER XIX.

Progressive Reduction of Duties.

It has been demonstrated that if it were possible to carry the purposes of the McKinley act into effect by importing free of duty, all the things that we cannot produce to advantage, and by putting a prohibitive duty upon all articles, which, in the judgment of any Congress could be produced to advantage in this country, the result of that policy would correspond to the result that would be attained by the application of what is called "British Free Trade" to the commerce of the United States—namely, all revenue would cease under such a tariff, except on liquors and tobacco, our revenue would be derived mainly from our excise on liquors and tobacco, supplemented by an income tax, or by direct taxation. The fact is, however, that the purpose of the McKinley act *cannot* be realized, and the conception upon which it is based of "Protection with incidental Revenue" is incapable of application to our commerce.

We have been saved from the complete destruction of our commerce except in sugar and some other relatively unimportant articles with a consequent prohibition of the greater part of our exports, by the incapacity of the dominating party to put their intention into effective action.

It already appears that import of many articles which it was the intention of the McKinley act to exclude, is

increasing at the present time. Nearly one half—48 per cent.—of the woollen and worsted fabrics which are consumed by the people of the United States are made either in this or some other country from wools grown in a foreign country. It may be asserted without fear of disproof, that the people of the United States are proportionately clothed in larger measure with the products of foreign countries than they were one hundred years ago when Alexander Hamilton bore testimony to the common wear of domestic fabrics by the people of that period.

Again, it does not appear that the futile attempt to establish the manufacture of tin-plates in this country has yet been met by any measure of production even equal to the increase of the requirements of the present year as compared to other years; nor can any evidence be obtained that measures are in progress for beginning with the sheet metal and ending with the tin-plate that will, within any computable period, assure any considerable supply of tinned iron or steel wholly of domestic manufacture.

The evidence has also been submitted that so far as the future course of reform may be predicated upon the past, the Congress which is to be elected in November 1892, to meet in its first session, December 1893, will meet the following conditions:—Applications for pensions under the existing laws will have been so far examined and audited that the need of an appropriation to meet the first payments of pensions granted will have substantially ceased. The payment of the annual pension roll will then be less than one hundred million dollars and will be subject to rapid reduction under existing acts.

On the other hand, the revenue which will then be derived from liquors and tobacco under existing laws will

be very considerably more than the appropriation which will be made by the present Congress, except pensions, and will be more than sufficient to meet all the expenditures which will be authorized under such appropriations for all purposes except pensions.

It will follow that there will be at that time an excess of revenue from liquors and tobacco above all other expenditures which may be applied to the pensions. This excess of revenue from liquors and tobacco will certainly cover the few first payments of applicants which may not then have been passed upon, and it will be very sure to yield also a surplus to be applied to the pension roll itself. Therefore the legislation of the Congress about to be chosen will be limited to providing less than one hundred million dollars from duties upon all imports, except liquors and tobacco.

We may now revert to the official statement of the revenue from duties which was given in detail in the third chapter of this series of treatises. From that we may then undertake to select a list of the imports to be subject for taxation, from which an ample revenue may be derived without any undue interference with the freely chosen pursuits of the people. In making this selection one may rightly revert to the rule which was laid down by Sir Robert Peel in dealing with a similar condition which was given in Chapter VII., namely:

"If we had to deal with a new society, in which those infinite and complicated interests which grow up under institutions like those in the midst of which we live, had found no existence, the true abstract principle would be 'to buy in the cheapest market and to sell in the dearest.' And yet it is quite clear that it would be utterly impossible to apply that principle in a state of society such as that in which we live without a due consideration of the interests which have grown up under the protection of former laws.

"While contending for the justice of the abstract principle, we may at the same time admit the necessity of applying it partially. I think that the

proper object is first to lay the foundation of good laws, to provide the way for gradual improvement which may thus be introduced without giving a shock to existing interests. If you do give a shock to those interests, you create prejudice against the principles themselves and only aggravate the distress. This is the principle on which we attempted to proceed in the preparation of the tariff."

If we apply these considerations to our own case, it will appear that the direction of the investment of a large amount of capital has been very considerably changed by the long existence of a high tariff, but it has been proved that the duties on crude and on partly manufactured materials may all be removed without any injury, but on the contrary with actual benefit to the producers on iron and wool, while at the same time giving relief to manufacturers who convert these materials into form for consumption.

Again, it may be remarked, that there are certain articles taxed under the head of Class A, Food and Live Animals—such as fruits, including nuts upon which it may be wholly suitable to retain duties for revenue purposes only so long as it may be expedient to do so. Fruits and nuts are not necessaries of life, and if it is expedient to tax them for the payment of revenue one surely cannot object to that. They yield over four million dollars of revenue. All the rest of the taxes upon crude and partly manufactured materials, according to the figures of 1891 may be removed, and yet at the rates of duties imposed in that year on Class D, comprising manufactured articles ready for consumption, and Class E, articles of voluntary use and luxuries, with the four million dollars from fruit and nuts added the revenue would be one hundred and ten million dollars, which is in excess of what will be required by at least twenty millions.

It may, however, be remarked, that when the duties

upon the materials which enter into the processes of manufacturing textile fabrics and articles made of metal have been wholly removed, there may be and probably will be a considerable reduction in the import of the finished articles, in which crude iron, steel, and wool are component materials of chief value. We shall then excel many other nations in the production of nearly all the finished fabrics in which these materials are consumed of which we now import a very considerable part. Therefore, except for the increase of population, a falling off in the revenue from finished fabrics might be looked for.

But, on the other hand, the increased prosperity which must ensue from the promotion of manufactures under such a policy, coupled with the very large increase in exports which will ensue from the adoption of that policy must greatly increase the consumption of foreign as well as domestic fabrics which are not articles of necessary use, especially when the duties on foreign imports are reduced in proportion to the duties which have been taken from the materials. It follows, as a matter of course, that by the careful selection of manufactured articles and articles of voluntary use, luxuries, for revenue duties, etc., a revenue may be derived in ample measure to meet the requirements of that part of the pension roll for which no other provision is made. By maintaining the duties upon articles of luxury and voluntary use, covering mainly silks, laces, edgings, embroideries, artificial flowers, perfumery, cosmetics, etc., and the finer textile fabrics, chinaware, earthenware, which depend not upon utility or necessity for their use, but upon the fleeting fashion or fancy of each year, we may not only secure an ample revenue, but exercise the discretion and discrimination which Sir Robert Peel so wisely declared to be necessary in altering a system which has been so long in existence.

Of course it is not intended to propose to abate the duties upon the finer kinds of manufactured goods without due notice or by any single act. Such a policy would *not* be giving due consideration to the effect of a long-continued high tariff. When a right method of reducing the tariff has been chosen, it is not important that the whole work should be accomplished in any one year, although it may be done by one act covering a provision for a progressive reduction.

It will be remembered that the change which was brought about under very similar conditions in Great Britain was entered upon in 1842 but was not ended until 1853.

A very large part of the machinery which is now in operation in this country upon fabrics that may be imported has been heavily increased in its cost relative to that of the competitors in manufacturing in other countries by the same system of duties. Due regard should be given to that fact, and if duties upon such fabrics are maintained at moderate or even high rates during the life of such machinery, which ranges from ten to fifteen years, no injustice would be done and no harm would come of any moment even to the consumer of the manufactured goods. Long before that period had elapsed it is probable that the duties on all of the finer fabrics, except those which are hand-made, would have become as totally inoperative as the duties now are on a large part of the textile fabrics of the coarser grades which we ourselves make.

In other words, if the fear of revolutionary measures and extremely radical changes can be removed, there is absolutely no obstacle to an agreement on the part of moderate men, whatever may have been their opinions in respect to Protection and Free Trade, to the end that the

objective point which is common to both may be reached by a reasonable compromise, so that a tariff act may be passed which shall possess the elements of stability under which this strictly business question may be removed from the political arena.

The advocates of a reform of the tariff make a grave error in demanding an instant abatement of duties and a radical revolution in our whole system of taxation upon the ground that because there is a duty upon a given article that might be imported it follows that the price of a domestic product of like kind will be maintained above what it would otherwise have been to the full extent of the duty.

This delusion has been mainly promoted by the fallacious expectation of a bounty or benefit which has been held out to farmers by the advocates of the McKinley tariff. Aside from such small exchanges of farm products as may be made with the Dominion of Canada, the products of the farms of the United States which could be imported from a foreign country are so insignificant as not to constitute five per cent. of our total product including sugar and wool.

The sole effect of duties upon the agricultural products of Canada as well as upon the iron ores and coal of the Maritime Provinces of the Dominion of Nova Scotia and New Brunswick is to deprive the inhabitants of Canada of their market, and thus to reduce their power to purchase our manufactures, of which they are as large consumers as they can afford to be. Being thus prevented from working their own mines, forests, and fields to the best advantage, their men customarily come over into the United States in the working season, competing without any protective duty upon them with our own working men, and thus to some extent depressing the rate of wages

here, as a rule returning with what they have earned to spend their wages in Canada in the support of their families. In one direction the Canadians have helped to save some of the protected manufactures of this country from disaster; the textile factory operatives are now in very large proportion French Canadians, as the workers in the Pennsylvania iron and coal mines are Welsh, English, German, and Bohemians, or Slavs, commonly called Hungarians.

If regard be given to the various schedules of the present tariff, it will appear that more than one-half the specifications yield so little revenue as not to pay the cost of collection, or very little more, while another very large portion of the specifications are inoperative because the advantages of this country in production at high rates of wages and low cost have substantially enabled us to produce more than we can consume even of these dutiable articles.

It may be held that these latter conclusions of the writer are inconsistent with the grounds of objection upon which the McKinley tariff has been condemned.

In the subsequent chapters of this series these possible objections and the true method of discrimination in the imposition of taxes upon imports so as to promote domestic industry and protect American labor from any undue burden will be finally dealt with.

CHAPTER XX.

Cost of a High Tariff.

In the debate upon the tax on tin-plates and on other occasions it has been urged by distinguished Senators that even if the effect of a duty were to raise the price for a time, yet when distributed, this tax would come to so small an amount on each tin utensil as not to be appreciable. In other words, the excess of price that has been paid during the last few years on tin-plates used in all the arts, and especially in canning, amounting to over *sixty million dollars* ($60,000,000) is *not*, in the judgment of these gentlemen, an appreciable burden! Such an argument displays the profound ignorance of him who presents it in regard to modern commerce, manufactures, and agriculture.

The burden of a tax is to be measured, First, by the ratio which the tax bears to profits that might be made in any given occupation, were there no tax upon the materials. Unless there is profit the industry will not be undertaken.

Second, the burden of the tax must be measured or estimated by its ratio to the wages or labor-cost into which the tax material enters as a component material. The burden of the tax may apparently be very slight in ratio to the gross value of the product, and yet be very heavy in ratio to the labor-cost, yet heavier in ratio to profits.

Let it be assumed, for instance, that the cost of canned fish, soups, meat, milk, or other food products is divided into separate items in somewhat customary proportions, such as govern the cost of other articles. The cost of packing and the cost of the package or can used in preserving food is large in ratio to the prime cost of the material, much of which would be wasted if it could not be so preserved. We will, however, assume that the cost of the food material which is to be canned or packed comes to one-half or 50 per cent. of the value of the final product. Next, that the labor in the canning factory may be estimated at twenty per cent. We will assume that the untaxed tin for the can would cost twelve per cent., and that the tax upon tin would come to ten per cent. We will assume that a net profit of eight per cent. on the work would cause the business to be established and as rapidly extended as the demand would warrant. These estimated proportions may be defined by lines.

Materials . . .	50 per cent.
Labor . . .	20 " "
Untaxed tin . .	12 " "
Tax on tin . .	10 " "
Profit . . .	8 " "
	100

Whether this proportion would exactly fit the canning industry is immaterial. There are many examples of industry in which such would be the proportions. It will be remarked that while the tax is only *ten* per cent. upon the product, it is *fifty* per cent. upon the labor, and *one hundred and twenty-five* per cent. upon the profit.

Now let it be assumed that this apparently small tax were abated ; then the capitalist or employer could advance wages one half without changing the price ; or he could

advance wages twenty-five per cent. and increase his own profits sixty-two and one half per cent.; or, by making an extra discount of ten per cent. on his wholesale price, he could get a very much wider market, employ more workmen, and gain a greater aggregate profit at the same rate on each sale.

Yet more, it depends very often on a margin of much less than ten per cent. of profit whether a foreign market shall be supplied with very many classes of goods from this country or from other countries. In the matter of condensed milk, for instance, Switzerland, with free sugar and free tin plates, has relatively an enormous foreign export trade where we have had a very small one, if any. The evil effect of a small tax of this kind may be much greater than appears on the face of it. Let it be assumed that the cost of the production of the farm products which are to be canned or preserved cannot be reduced without great injury to the farmer or the gardener; it must remain at fifty per cent. in ratio to the final or manufactured product in the cans. It may also be assumed that the cost of labor computed at twenty per cent. is as low as it can be put in comparison with other branches of industry. In other words, the cost of the materials and of the labor cannot be reduced below seventy per cent. of the valuation of the manufactured or canned product without great injury to both farmers and workmen.

On the other hand, the imposition of a tax of ten per cent. on the tin-plate or some other material of foreign origin creates such a disparity in the cost of the finished product as compared to other countries as to forbid export. Under these conditions let it be assumed that the home market becomes overstocked: there comes what is called over-production of canned provisions. No large export trade can be established because other countries

supply canned goods which are put up in untaxed tin. Even let it be assumed that the foreign cost of the materials is the same as it is here, or fifty per cent., and that the labor cost is the same, or twenty per cent.; let it also be assumed that the cost of the tin *untaxed* is the same, or twelve per cent., and that the margin of profit is substantially the same, or eight per cent., in other countries.

Now, let it be assumed that the producer of the same article in this country does away with all profit and tries to export his product merely to get rid of his excess. The account stands as follows:

Materials	50	
Labor	20	
Untaxed tin	12	
	82	
Taxes on tin	10	
Total	92	without profit.

The tax covers his whole possible profit and even more. There is an excess of cost as compared to the foreign competitor even without any profit, which forbids export because the whole commerce of the world now turns upon a mere fraction.

The difference of a cent a bushel of wheat will send an order away from Dakota to South America or India. Under such conditions when the tax more than equals the margin of profit, the employer of labor in the canning or any other industry must either force the price of farm products down, or he must cut down the wages, or the business must be reduced and adjusted to meet what the home market only will take at a profit. If there is no profit the business stops. This brings into conspicuous notice

the fact that the burden of taxation is measured by its ratio to the profit that might be made on untaxed materials but which is often cut off by such taxes so as to prevent the establishment of that art within the limits of this country. Such a tax limits our export of the surplus which is not needed by the people of this country but is wanted by others, even in respect to articles of food for which the world is going hungry but cannot buy because it cannot pay with goods. Russia has to-day no gold with which to pay for food, yet the people of Russia are starving for want of the food that we might supply if we could buy sheet iron *free of tax* or some of the other products of Russia that we want.

When these considerations are applied to the estimate that I have put upon the true cost to the people of this country of the taxes which are now imposed upon crude or partly manufactured materials that might be imported from other countries, estimating that cost at a sum of money equal to about three hundred million dollars, it will be observed that in this mere estimate in money I have only begun to state the bad effect of that burden of taxation.

For instance, while during the period of ten years that have lately elapsed, the price of crude iron or pig-iron has not been maintained in this country above the price in Great Britain and Germany to the full measure of the duty; nevertheless, by a comparison of the prices of pig-iron, year by year, for a period of ten years, it has been conclusively proved that the consumers of iron in this country have paid on an average, year by year, $70,000,000 more for their supply of crude iron ($700,000,000 more in ten years) than for the same quantity that has been supplied to other consumers who buy iron from the works of Great Britain, Germany, and Belgium. During this period the

actual price of iron has been very much reduced, but in each year during the progress of this great reduction the cost of iron to consumers in the United States has been $70,000,000 in excess of the cost of the iron supplied to other nations. The disparity in the price of iron rails and iron in the bar or sheet is yet more, and the disparity in the price of steel in the form of ingots, rails, sheets, and bars is yet more. No exact computation can be made, but when it is alleged that the disparity or difference in the price or cost of iron and steel to this country has been *one hundred million dollars* ($100,000,000) *per year* for ten years, that affirmation cannot be disputed, and the more the figures of prices are studied the more certain it becomes that the difference or disadvantage on our side has been greater. No one has yet ventured to deny or to attempt to disprove this statement.

Now let this disparity—no matter whether it has been a profit of individuals, or merely an increase of cost without profit to the ironmasters—be considered in its ratio to profits. In a broad and general way one may estimate the cost of the material that enters into the heavier kinds of machinery at sixty per cent., and of the labor at twenty per cent.

Then it appears that the disadvantage or higher cost of iron to the makers of heavy machinery, in the construction of vessels and in many branches of work, is greater than the entire cost of labor in Great Britain, in the conversion of untaxed iron and steel into these same finished forms. In this view of the matter the reason becomes very plain why we cannot compete with British steamers upon the ocean. The imagination fails to conceive the effect of this disadvantage which is due to the disparity in the cost of iron and steel in depriving us of the opportunity to supply the non-machine-using nations with what

they need in manufactured goods, and in depriving us of the opportunity to meet the increasing demands of Asia, Africa, South America, and Australia, for machinery in all forms, for rails, engines, and cars, and in depriving us of any share in ocean transportation. I have stated that the exports and imports of all nations come to seventeen billion dollars a year; our proportion of that international traffic is ten per cent. The magnitude of our domestic traffic has lately been demonstrated in an article in *The Forum*, by Edward P. North, in which he quotes from an address given at the Deep-Water Ways Convention, held last December in Detroit, by Mr. George H. Ely. This statement is that "about thirty-six million registered net tons of shipping passed the city of Detroit in the previous year during the two hundred and twenty-five days that the navigation of the great lakes was open." . . . "The aggregate tonnage entering and clearing from the ports of London and Liverpool during the entire year does not equal that passing Detroit in seven months, and that is a growing commerce." Why should not our foreign traffic be brought up to that of England?

Were the price of iron and steel the same in this country and Great Britain, as they would be were it not for the duty imposed by us, making due allowance for ocean transportation, it would be in fact immaterial whether the price of iron were $16, or $20, or $25 a ton in either country. We use nine million tons of iron. Our relative disadvantage on the average for many years, let it be assumed, has been $7 per ton. If there had been no duty, the price of iron in this country might have been higher by one half that difference, or $3.50; nevertheless, the price of iron to our consumers would have been the same as in Great Britain, and we should have shared the international commerce of the globe and the ocean transportation in a

measure that no one can determine, bringing in an advantage in comparison with which the slightly higher price of iron would have been a mere trifle. There would have been none of the great fluctuations, and so-called overproduction such as now affects the iron industry. There would have been a uniformity and practical stability in prices, and as the cost of coal is rapidly rising in England and the supply of coal and iron ore is becoming relatively deficient, so the more urgent demand of this country upon the mines and works of England by advancing prices there would cause the opening of our mines and works so much the more rapidly. Our mines and works would be protected by putting up the prices of crude iron to British consumers, while developing our own resources even in more rapid measure than we now do. Then the true Protection to our own domestic iron industry will be attained, because no one can compete with us on equal terms; our wages will be higher and our cost less, because our ores and coal are more abundant, more easily worked, and with a less number of days' labor to the ton of iron than anywhere else. Whatever nation dominates in coal and iron controls the commerce of the world. Even at the disadvantage to which we have been subjected by the relatively higher price of iron and steel, we yet excel so much in the application of labor, that we export locomotive engines, looms, and agricultural tools and implements. We have gained in foreign commerce in some directions, but we have lost heavily in others. The disparity or difference in price against us has become a greater disadvantage the lower the actual price is forced. A disparity caused by the tariff of $9 was a comparatively small matter when the price of iron ranged from $40 to $50 a ton, as it did a few years ago, as compared to the difference of a little under $7 now, when the price of iron is less than $20. We have

paid this excess of cost of iron, $70,000,000 average year by year, on all the metal that has been consumed in this country, sometimes, it is admitted, not to the full extent of the duty. But to the extent to which that duty has kept the price in this country higher than it would otherwise have been, and higher than it has been in foreign countries, it has cost us ten-fold any possible benefit to the producers of iron.

Moreover, the obstruction to our demand upon the iron and coal deposits of Great Britain, Belgium, and Germany has doubtless tended to keep the price of iron still lower in Europe than it would have been had we been free to purchase our materials from the representatives of those works. We consume nearly forty per cent. of the world's total product of iron. We have the greatest purchasing power of any nation, and to the extent to which our purchases of iron from England have been obstructed, the purchasing power of England in respect to our grain and food has been diminished. To that extent the iron-masters of England, in the absence of our demand, have supplied the machinists of Europe at lower cost of iron to them. That is to say, the machine-makers and the ship-builders of Europe have been protected by exemption from taxation on materials, while ours have been hindered in their industry, and our power to construct American ocean steam-ships has been destroyed.

It has sometimes been held that when in consequence of our tax upon imports the price has been reduced in other countries on the articles which we still import, we have simply put the tax on the people of such other countries. There could not be a more mischievous error. To the extent that we keep down prices in other countries by tariff obstructions, we diminish the power of purchase of that country in respect to our food, and when

our tariff tax has reduced the prices of iron and steel, wool, tin-plates, or some other crude materials abroad we have given the advantage to the foreign consumer of these crude materials over our own consumers. In this way we have invited the increasing quantity of imports of finished products at lessening cost by the very acts by which we have attempted to exclude them. Any tax imposed in this country on crude materials protects the foreign manufacturer.

I will not attempt to measure the effect of the disparity on anything but iron and steel. The demand of the world for tools, machinery, and other implements made of iron and steel is constantly increasing. It is far in advance of the increase in population. If the price of these crude materials were the same in Europe and this country (aside from the freight charge to and from there, which is trifling), then our ship-builders, machinists, stove-makers, and the like would enter into the world of commerce on substantially the same conditions and on even terms with their competitors in other countries whatever the actual price of iron might be. They are forbidden to-day by the relation which the tariff taxes bear to the profit that would induce the manufacture of goods for export. It has been held that if the tax is ten per cent. on the finished product—that is to say, if the tariff tax threatens a disparity between this country and another of ten or even five per cent., then the profit that under free conditions would have induced the undertaking of the work is forbidden by the tax.

Taxes, on the other hand, upon the finished products, especially upon articles which depend upon luxury, fashion, or fancy for their sale, may simply cost the consumer who chooses to buy them just the amount of the tax. A revenue tax upon finished products may there-

fore be substantially consistent with the rule that all taxes that the people pay, the government shall receive, while a tax upon the crude or partly manufactured materials is *not* consistent with this rule. The cost of these imported materials which enter into the processes of domestic manufacture prevents diversity of manufactures, limits production, prevents exports, and burdens commerce at every point. The burden of such taxation may be tenfold what the government receives, and yet it may not yield even a private profit to any one; witness the increase in the cost of woollen goods accompanied by a reduction in the price of protected wool.

Having thus analyzed the disparity in the relative burden of tariff taxation, the general conclusions which may be derived from this series of treatises will be given in the final chapter. The subject treated in this chapter is the only branch of the tariff question that requires hard thinking and close analysis in order to make it plain. Every person who has the slightest knowledge of commerce is aware that by way of the application of modern machinery the maximum of production in any given line is very quickly attained, and this makes it almost sure that the representatives of some important product may or will overstock the home market in a very short time.

Again, any one who is familiar with business knows how difficult it is to bring the production down again to a suitable point after the market has been overstocked, and how depressingly and how relatively grave is the effect upon prices of a very slight excess, which cannot be consumed and which cannot be exported. Keeping these facts in mind, it will be observed that in respect to grain and cotton, we are subject to a very large excess of product above any possible consumption within the limits of this country. While it is true that Europe must take our

food or starve, and while it is also true that foreign spindles must be supplied with American cotton at present; yet to what extent, at what price, and how rapidly European countries can take from us these products, depends not only upon their own urgent demand, but also on their control of the means of payment. So far as payment may be made in goods the trade may be prompt and reciprocal, but when we obstruct or refuse to take the goods with which we might be paid, the purchasers of our products must find a market for these good in other countries from which they may derive the money which is to be placed to our credit in London for payment.

The farmers and cotton growers of this country have recently been trying to find out what is the matter with their markets, and they have demanded more money. The depression in the price of farm products and the difficulty in the sales of the excess lie at the bottom of this demand for more money, and have exposed us to the dangerous agitation of the silver question. What the farmers require is a more open and a wider market and a readier sale of the excess of their products, which they can only secure by removing the obstruction to the import of the means of payment with which the world is waiting to meet them.

Again, our manufactures are subject to great fluctuations. Why? Because their possible home market is very largely among the farmers, or among those who supply the farmers with tools and implements, or who move the products of the farm from the field to the consumer. More than one half of the domestic demand for the manufactures of this country rests upon the ability of the farmer to buy the goods; the ability of the farmer to buy manufactured goods depends upon his ability to sell

his excess or surplus of products for export to foreign countries. Indirectly the stability of the market for all products depends upon the free export of our surplus.

The revenue derived from the crude materials which are necessary in the processes of domestic industry has formed but a small part of the excess of our revenue, which has been applied to the purchase of our bonds long before their maturity. It could all be spared at the present time without the loss of revenue being felt in the slightest degree. I am of the profound conviction that the indirect injury to manufactures, agriculture, and commerce is fifty-fold as great by measure in mere money. That is to say, the revenue of about $14,000,000 which the government receives from taxes upon crude materials which are necessary in all processes of domestic industry may have cost us $700,000,000.

In other words, I think that no one can deal with this tax in its ratio to profits, in its obstruction to exports, or in its pernicious effect in every direction, without reaching the conclusion that the cost of the revenue secured by the government upon wool, pig-iron, coal, ore, and a few other crude articles has been fifty-fold the amount of the revenue that the government has secured. This cost consists in privation of commerce, through the effect of this apparently petty tax, and in the disparity in the cost of domestic manufactures heretofore demonstrated.

The total revenue derived from the articles classed as crude products necessary in our domestic manufactures in the last fiscal year was $14,000,000, chiefly from wool and other fibres, coal, and iron. The direct effect of this tax in maintaining the cost of the material of our manufactures above that of other countries I cannot put at less than the entire cost of the conduct of this government, including pensions, or over $300,000,000.

The indirect effect of this and other taxes upon the import of the products of other countries, which are their only means of payment for our products of agriculture, cannot be computed. It deprives us of what might be the profits upon agriculture and commerce, which may come to three or four hundred million dollars more. Who can tell? The evil can never be measured until it is removed.

In a previous number the statement has been submitted of the depressing effect of similar taxes upon the domestic industry of Great Britain in 1842. Sir Robert Peel and those who supported him in the abatement of these petty taxes upon materials had little comprehension of the prosperity that would ensue as soon as they were removed. An income tax was twice levied for limited terms of three years each, to make up for the expected deficiency of revenue which it was assumed would ensue from the removal of duties upon crude materials. But the removal of this tax gave such an immense impetus to British agriculture, commerce, and manufactures alike, that in each instance the income tax became a surplus. The import of dutiable goods increased, and the revenue thereon increased more rapidly than the abatement had diminished it. The income tax itself also yielded a far greater sum than its promoters anticipated, because the incomes subject to tax were so rapidly developed by the increasing prosperity of the country.

We shall never know in this country how much hurt has come to us from these malignant taxes on crude materials until one or two years after they have been removed.

CHAPTER XXI.

Development by Free Commerce.

I may now give a summary of the propositions that have been submitted in this series of chapters on *Taxation and Work*. My experience covers fifty years of observation, as boy and man, since I first became connected with the textile manufactures of this country. During thirty years since the publication of my first pamphlet upon *Cheap Cotton by Free Labor*, in 1861, I have given close study to all our industrial conditions.

In that pamphlet and in two subsequent treatises upon the cotton fibre in 1863, I made a forecast of the future of this plant, which was then deemed as visionary as my forecast of the future fiscal policy of this country may now be regarded. I presented all the facts on which the conversion of the seed into oil, oil-cake fertilizers, and paper stock would be accomplished, showed the value of the stalk whenever success is attained in separating the fibre, and the possible value of the root for tanning or dyeing.

I have been lately informed that the roots are now sold, and it is not improbable that my subsequent prediction will be fulfilled, that the fibre of the cotton plant will become a secondary product not equal in value to the other portions of the plant.

I am now profoundly convinced that the system technically known as Protection has reached its logical conclu-

sion and destruction in the McKinley act, and that through a reconstruction of parties for the true consideration of financial questions, a system of national taxation will presently be adopted which will give just and equal protection to every branch of industry by exempting every crude or partly manufactured article from national taxation, and by reducing duties upon all other articles to a revenue basis, due regard being given to existing conditions in framing measures which will bring about this result within a short term of years.

If a beginning should now be made by the exemption of materials used in domestic industry from all taxation, with an adjustment of duties, even at somewhat higher rates, on finished products which are ready for consumption, there would presently be little opposition to abating such duties by ten per cent. each year until they should be either wholly removed or reduced to a moderate and permanent revenue basis.

My reasons for these conclusions are as follows: I hold it to be impossible for any person to come to any other conclusion who investigates the problem or the method by which I was myself convinced that the system of Protection in which I had been brought up was wrong. That method is to review the sequence of events since Hamilton framed a low-revenue tariff and advocated it upon the ground that it would give incidental protection to certain specific branches of industry which he then thought it might be desirable to promote more rapidly in this way, because the processes were either guarded in other countries by penal enactments for their protection, or were supported by bounties for the distinct purpose of keeping special control over them.

I think that any impartial observer or student who will take Hamilton's list of manufactures, which were well

established a century since, and keeping that list in mind, will pass in review the present conditions of all our varied and diversified occupations, will reach certain conclusions, which are as follows:

1st. All arts of any considerable importance in whose behalf tariff Protection is now invoked, were well established before the enactment of the first tariff of 1789, with the exception of the cotton manufacture which has been developed subsequently, notably by the invention of the American cotton gin. To this single important branch may be added some minor arts also due to subsequent inventions of which perhaps more have originated in this country than elsewhere.

2d. The specific branches of industry in whose behalf the support of a tariff has been invoked, have been few in number even among the specific manufactures of the country. They consist mainly of the primary processes in the production of iron and steel, of textile manufactures, glass, and pottery, and some of the cruder products in what are known as chemicals.

3d. These protected industries constitute a very small part even of what are classed as manufactures, and except when protected, not only by duties upon imports, but by patents like the Bessemer, or by the control of ore and coal mines in connection with the railways leading to them, they have produced neither higher wages nor greater profits than the more numerous and important branches of manufactures and metal working, to which no tariff protection could ever have been given, because no product of like kind could be imported.

4th. The specially protected branches of industry have been subject to greater fluctuation than any others,—have become bankrupt more frequently,—are more uncertain in giving continuous employment than any others,—while

the labor is less American and more foreign, in many instances more systematically imported than is the case in any other kinds of work.

5th. It has been conclusively proved by the experience of the Southern States that no special protection is required even in the beginning of the work of mining iron ore or its conversion in the furnace or the iron works, or in the establishment of textile factories. It is also proved by our Southern experience that as soon as the interference of laws controlling the condition of laborers and the direction of their work had been done away with by the abolition of slavery, a very wide diversity of occupations established itself, which is rapidly bringing about the same general divisions in the occupations of the people that has also accompanied the settlement of every new territory and State in the West.

6th. Nothing more need be said about the supremacy of this country in the production of at least ninety-five per cent. of the products of agriculture that we require, and which we produce at the highest rates of wages and the lowest cost.

7th. Our supremacy in the matter of a supply of timber, except by comparison with Canada, is admitted.

8th. No other iron-producing country can approach us in the facility with which the materials for the production of iron may be assembled at the furnace, nor in the quantities of ore and fuel lying upon or near the surface of the ground and in close proximity to each other, to the end that, by the measure of day's work, no other country can compete with us in the production of iron.

9th. The processes known as the manufacturing and mechanic arts consist in the final conversion of the crude materials, which are derived from the field, the forest, and

the mine, into food, shelter, and clothing, all intermediate processes being means to these ends.

10th. The necessary supply of food is attained even in this country by the great body of the people, perhaps ninety per cent. of the whole number, at the cost of forty to fifty per cent. of the proceeds of their work. In Europe a much greater proportion of income is devoted to securing a supply of food, which on the continent is deficient in nutritive power. The most important primary elements in the production of food are phosphoric acid or phosphate of lime, and nitrogen. In respect to the first element, without which our grain and cotton crops might ere long be lessened, the recent discoveries of phosphates in Florida, added to those of South Carolina, give positive assurance of an adequate supply for centuries to come, by far exceeding any other known supplies. In respect to nitrogen, we possess in the cow pea vine the renovator of the whole area of southern land that has been scathed by the slave system of labor: its benefits, as yet almost unknown, may yet be extended over the North and West. In the alfalfa, in clover, and many other renovating plants, we also possess advantages over almost every other section of the earth's surface yet occupied. What may yet be developed in South America waits for the establishment of safe government and sound finance.

Being thus assured of a supply of food material in such excess that we are now "smothered in our own grease," it may be remarked that there is not a process in the mechanism of conversion, or in making the appliances of the household, which is not of necessity conducted in this country, or of which a similar product could in any considerable measure be imported from a foreign country. On the contrary, nearly every piece of machinery, and almost every household appliance for the conversion of

food is relatively to other countries increased in its cost by the imposition of taxes upon the component materials.

No article of any considerable importance is imported for the construction and equipment of the grist and flour mill, for the making of agricultural implements, for the meat-packing establishment, for the sugar refinery, for the brewery, for the bakery, for the furnishing of the domestic kitchen with cooking utensils, for the creamery or the cheese factory, for the incubator, or for the domestic hen-yard. The product of the latter in annual value is equal to the output of all our iron furnaces, double the value of the wool clip, and more than double the true value of the silver product. In short, in this food department, which is the most costly element in the price of life, we supply ourselves with at least double the product at half the cost as compared to every European country, from which product those who do the work derive the highest wages because the process of production is conducted at the lowest cost.

More than forty per cent. of the people of this country are occupied in agriculture, and if to this force be added all the men and women who are occupied in providing the mechanism of the farmer and the appliances by which food material is prepared for consumption, more than one half the industry of this country is employed in providing the food of which the cost is about one half the price of life. It is deficiency in the supply of food and the consumption of armies that is the cause of the so-called pauper labor of Europe and the consequent high cost of production.

The only way in which Protection can be given to this paramount branch of industry is by the exemption from taxation of the materials of which its mechanism, tools, and appliances are made.

While agriculture cannot be protected by duties upon imports, its progress and prosperity may be greatly marred

by the obstruction to exports which of necessity follows the obstruction of duties upon the import of the goods with which our exports are paid for.

11th. The shelter of the people of this country comes next in its relative importance ; with it may be treated the mechanism of distribution by rail, river, lake, and canal, by means of which food, fibres, timber, metal, and fabrics are placed where they are needed.

It is impossible to give a complete measure of the manufacture of houses either in terms of money or terms of work.

It may, however, be readily proved that the manufacture of buildings or the means of shelter for people, processes and goods, gives employment to a larger number of workmen than are employed in all branches of domestic industry, of which any appreciable part could be imported from a foreign country. This proof may be given by an approximate estimate of the cost of providing house-room for the annual increase in our population. If we compute this increase at $2\frac{1}{2}$ per cent., the increment in 1893 will number 1,600,000. If we assign an average of one house or its equivalent to each family of five persons at a cost of, say, $600 for each house or apartment, then the measure in money of the manufacture of houses for the increase of population only will come to $192,000,000 in 1893. The elements of a house are timber, stone, brick, glass, and metal, all of which are of necessity of domestic production in the class of houses with which we are dealing. The average earnings of the men who are occupied in the production of these elements of shelter do not exceed $500 per year. Deduct ten per cent. for the higher services of contractors and bosses, and we have in round numbers 340,000 men, occupied in all the arts that are required to manufacture houses, even for the increase of

population at only $600 per family of five. This is an art that cannot be protected by a duty upon the import of dwelling houses, but which is taxed at every point by duties upon the timber, metal, and glass which constitute the component materials of chief value.

Each one must compute for himself the extent of the building trades by this computation of the least important branch considered in relation to quantity of material and labor consumed. Shelter in all its phases for men, processes, and goods cannot give occupation to less than 2,000,000 to 2,500,000 persons, or about ten per cent. of all who are occupied for gain, none of whom can be protected by discrimination in framing revenue measures except by the exemption of the materials which they use from all taxes.

The relative importance of the mechanism of distribution comes next. We operate 170,000 miles of railway at substantially five men to a mile or more, making 850,000. We have constructed an average of 8,000 miles of railway per year since 1880. As nearly as it can be estimated, it takes about sixty men to build and equip a mile of railway in all branches of the work. This makes 480,000 to be added to the operating force, making 1,320,000 men in this one branch of the service.

It has been already remarked that the traffic of the Sault St. Marie Canal now exceeds the traffic of the Suez Canal, from which every one may get some idea of the mechanism of our waterways. Add to these the constructors of wagons and carriages, and it would seem at least probable that under the head of the mechanism of distribution we are in fact dealing with a body of men numbering at least three million, who can only be protected by discrimination in framing revenue measures, by exempting all the materials which they use from taxation.

12th. The third of the most important elements in the cost of living is Clothing. It is almost useless to attempt to compute numbers or the measure of value of this branch of occupation, because it is so much divided and so large a part is done in the household. The complete census data are not yet at our disposal. No reasonable conception can be reached as to what part of the fabrics or the clothing of the people could or would be imported until the component materials of the fabric and the machinery of the factory are exempt from taxation. At $25 per head, the consumption of textile fabrics by 65,000,000 people would come to $1,625,000,000: which estimate may be warranted by extending the valuation of domestic textiles and imports so as to correspond to the average cost of conversion into clothing. This branch of industry is more affected by fashion and fancy than any other, and the consumption of clothing is more governed by these factors than the provision either for food or shelter.

Suffice it, that whatever may be the present necessity or expediency of continuing to raise a large revenue from duties on the finer textile fabrics, silks, embroideries, fine linens, laces, furs, ribbons, etc., etc., of which the greater portion of the imports consists, the true Protection of the manufacture of the more useful and staple goods of wool and cotton must consist in the exemption of their materials from taxation.

13th. It may be held that by giving consideration to the method of promoting domestic industry and protecting American labor by exemption from taxation, either on materials or on the processes of the work, a simple and effective system may be adopted, under which all the taxes that the people pay will be received by the Government. When that is accomplished, the correlative of

national taxation, reduced to terms of work, will be that of four to five per cent. of the labor of the people. It has been computed in a previous treatise at that rate *doubled* in consequence of the bad methods in which the national taxes are now levied.

14th. It may be remarked that the views presented are inconsistent. It has been stated that, in the judgment of the writer, the protective system has not in the long run raised wages or increased profits, but rather the reverse. How then, it may be asked, can the cost of taxation for the support of Government and Pensions, estimated at $320,000,000 be doubled? If this sum, which as received and expended, represents the work of over 500,000 men for one year at $2 a day, or of a larger number at a lesser rate, and if the cost has been doubled by the mis-direction of taxation, what has become of the proceeds of the work of the second body of 500,000 or more men, the proceeds of whose work the Government has *not* received? If it has neither gone into profits or wages, what has become of it?

My reply is *Nothing. It has all been wasted.*

The attempt to attain Free Trade by developing a few special branches of industry by means of duties on corresponding imports at the cost of all other branches has failed; the longer it has been pursued the less has it accomplished its purpose.

It has only subjected a few arts to an artificial stimulus, making more work necessary to attain the same product, that might have been attained by exchange in greater abundance.

It has nowhere been held that the Protection of a high tariff does not make more work, but the object of science and invention is to save work and not to make it.

The direct objections to this system are threefold:

1st. It makes more work, but it diminishes the general product, from the sale or exchange of which all profits and wages are alike derived.

2d. It accustoms a great many people to depend upon the artificial support of the government instead of their own faculties, thus tending to disorder and corruption in legislation and in the civil service.

3d. It establishes a disparity in the cost of the crude materials which enter into all the processes of our industry as compared to other manufacturing countries with which we compete, so that whatever may be the range of prices in any year, until the tariff becomes inoperative they are higher in this country; therefore foreign manufacturers are protected to the injury of our own.

In conclusion, however, the final and paramount objection to the obstruction to the import of the means of payment with which foreign nations liquidate their purchase of the excess of our products of agriculture, is that its evil effect upon the price of all our crops is something that cannot be computed, and which will only be capable of estimation when these obstructions are removed.

In this series of short treatises I have endeavored to give the conclusions derived from a study of our conditions, in the hope that they may be conducive to a just settlement of problems which are vital to our future prosperity. I have given what appear to be the facts, and I trust that in the future, as in the past, my computations will be accepted by the representatives of both sides in this question whatever value may be attributed to my own opinions.

I regard it of great importance to the intelligent discussion of this question that even those who are opposed to a high tariff on general principles should not be per-

suaded into making exceptions, and into continuing the present system in part, with the idea that it may be profitable and suitable for a time to do so. For instance, it is assumed by some of the representatives of some of the Southern States, in which iron ore and coal exist in great abundance, that the continuance for a time of the duties on ore and coal may enable them to establish the production of iron more surely. That is, in my judgment, an error. Under such an inducement, iron works will be established by those who are not masters of the business, and the domestic competition which will ensue will be more fatal to stability and success than any foreign competition could possibly be.

I have said that the benefit, if any, that has been gained by the iron and steel producers during the last twenty years in excess of the ordinary gains in other business, has been due to the control of the patents and to the control of the deposits of ore and coal in combination with important railway systems, and not to the duties on imports.

Again, I believe it to be a very grave error to impute any excess in wealth or welfare in the Eastern States as compared to the Western and Southern to the protection of a high tariff. It would be impossible to give the statistical data that might be cited in support of my own views. Suffice it that I have followed the economic history of the textile manufactures of the New England States for a very long period. I am very well assured in my own mind that New England would be richer, its people more prosperous, its textile manufactories developed on a sounder foundation, if there had never been any artificial stimulus given to them beyond a system of duties computed *for revenue only*, on the general direction of Hamilton's tariff. Even the manufacturing and mechanical industries of New England, which ever could be or

ever have been subjected to foreign competition, except for the tariff taxes upon the crude materials which are necessary to them, are but few in number, and they constitute a very small portion of the specific branches of manufacturing and mechanical industry on which New England depends for the purchase of her food and other supplies from other parts of the country. The factory operative who has put his or her savings into one or more of the well managed savings-banks of New England since the enactment of the Morrill tariff of 1861, will have earned on the capital thus saved a larger increment of profit than has been attained by the average stockholder in the same factories in which such operatives have been employed. This is a matter capable of demonstration.

Finally, I am almost inclined to take the position seriously which I made the subject of an address before the United Boards of Trade of New Hampshire, not many months since; to wit, that the accumulated wealth of any community, and the welfare of its working people, as indicated by rates of wages and general conditions of welfare, will be assured in inverse proportion to the natural resources of the section in which such people dwell, and that their work will also be developed in greater measure, and greater prosperity will ensue, the less government interference is exerted to promote the investment of capital, or to influence the direction of the work, by tariff legislation.

In other words, the *less* the gratuities of nature and the *less* the bounties secured by legislation, the more *sterile* the soil and the more *necessary* the work, the *more* will gumption, aptitude, intelligence, and thrift be developed in every part of the temperate zone, and the *richer* and more *prosperous* will the people become who dwell under these apparently adverse conditions.

The stimulus of a moderately cold climate in which it is more comfortable to work in a factory than out-of-doors, gives a great advantage over the warmer or hot section of any country in the textile and many other arts.

CHAPTER XXII.

High Wages and Low Cost.

It has been suggested to me that while basing my arguments upon the theory that in all arts to which modern science and invention have been or may be applied, the highest rates of wages are derived where the natural conditions of production are most favorable, and where, on that account, any given product is made at the least cost, I have not yet proved that the theory is sustained by the facts.

It is held that this proposition is an apparent paradox, and that I have treated it as an elementary truth, which will not, however, be readily accepted without further demonstration. I have therefore devoted to this subject an article supplementary to those which I had intended to form this series.

This proposition is *not* an *a priori* theory or hypothesis, it is, in mathematical terms, a theorem; in economic speech, it is a statement of a principle; in practice, it is a rule governing the actions of men when not interfered with by statute law. It is the only proposition on which the application of machinery to production can be justified. If science, when applied to production, takes away the work by which men and women have previously gained the means of living, without providing other and better types or kinds of occupation; if mechanism does not assure a larger product and better wages,—then the

machine-breakers would be justified. In that case the only rule of progress would be the continuance of hand-work, without the mechanical appliances by means of which a few skilled working people or operatives do that which formerly required the continuous and arduous work of great numbers. It may be held that higher wages, both in money and in what money will buy, follow as a consequence from the lower cost of production, which is brought about by the application of invention and skill to the useful arts; or, in other words, that high wages are not merely the complement or correlative of the low cost of production, but are a *consequence* or necessary result of such low cost.

A great deal of the mis-legislation which has done so much injury in the world would have been saved, had the true source of wages been developed at an earlier date. The conception of a wage fund, or sum of capital accumulated as an antecedent from which wages might be paid in the process of production, led of necessity to the conclusion that the rate of wages would be determined by the number of persons among whom such given and necessarily limited amount of capital should be distributed. Hence the apparent antagonism between capital and labor.

The writer has not had time for any exhaustive study of works upon political economy; he has been obliged to develop his own conceptions, first, through observation of the facts governing industry, subsequently by referring to the books of reference in order to determine in what measure the previous theories of the economists might prove to be consistent with the facts. Having reached the conclusion, at a very early period in his own observations, that all profits, wages, earnings, rents, interest, taxes, and stealings were derived from the joint product of capi-

tal and labor, and that wages were not derived from a division of capital previously set apart as a wage fund, he found the first conception of this development of a theory of wages, in any complete or logical manner, in the works of the late Prof. J. E. Cairnes; it has subsequently been very exhaustively treated by Dr. Francis A. Walker. It may now be held to have displaced the former theory of the wage fund in all progressive economic thought. Dealing with wages from this point of view the facts are, or appear to be, as follows. The tendency of industrial progress is manifold:

1st. In all arts which are above mere handicraft or mere manual labor, less capital is required—using the word capital as that part of the previous product which is put to reproductive use—in ratio to a given product, in just the measure that the capital invested in tools, implements, and machinery becomes more effective.

2d. As the capital becomes more effective, and in some cases more automatic, it can be operated by persons of a lower grade in their general intelligence than it could before. Such persons can be trained to special aptitude in the use of machines in given directions, so as to bring about a constantly increasing product, while those of greater capacity are enabled to take up higher or less arduous occupation.

3d. With this increasing product at lessening cost, consumption is increased and a wider market is opened.

4th. As that wider market is developed, while prices may be diminished, the margin above the cost of such larger production—that is to say, above that which will suffice to remunerate both capital and labor—becomes larger, even though it be a lessening proportion of each unit of product.

5th. With this increase of product ensues a larger and

larger excess over and above the immediate necessities of the mass of the people for mere provision for shelter, food, and clothing. This excess constitutes that which is set aside or saved as capital to be applied to further production.

6th. As this excess becomes greater and greater in ratio to the absolute need for mere shelter, food, and clothing, competition arises among those who possess it to apply it to further productive use; then with this steadily increasing competition of capital with capital there comes a tendency of profits to a minimum.

7th. On the other hand, there also arises a careful selection of that particular place where the natural resources or surroundings are most favorable, and there also arises a competition among capitalists to secure the services of the most effective workmen and to induce them to migrate to that point where the best conditions are to be found for any given product and where they may earn the highest wages.

8th. This kind of competition tends to enable the workman to attain higher and higher wages in other arts and thus to yield to the workman an increasing share of an increased product.

In this sequence of events we find a rule that differs slightly from that laid down by Carey and Bastiat about which there was great contention as to who might claim to have first stated it. That rule was this—quoting by memory: "in proportion to the increase of capital, the share of product falling to the capitalist may be augmented absolutely but it will be diminished relatively, while the share falling to the workman will be increased both absolutely and relatively." This proposition may rightly be amended so that it may be stated: "in proportion to the increasing effectiveness of capital these results,

i. e. a lesser margin of profit and higher wages, will follow, without regard to the money value of such capital which would ordinarily be comprehended under the term increase."

In order to avoid all confusion by reference to estimates in terms of money, one may state this rule in the following form: in proportion to the application of science, invention, and skilled labor to the arts of production the product will be increased, the share falling to the owner of the capital will be relatively diminished in ratio to the joint product, but the share falling to the skilled workman will be augmented both absolutely and also relalatively to the joint product.

As I have previously stated, my observation led me to remark the tendency of profits and interest to become a lessening share in every art which has been consistent with a natural or normal development in this country—that is to say, consistent with a development that has not been unduly forced by tariff legislation. It has been observed that by far the greater proportion of the occupations of the people of this country have been developed without any substantial interference from State or national laws changing the direction either of capital or of labor. More than ninety per cent. of the work of the people of this country is directed by the nature of things to that occupation which is freely chosen.

Therefore, in attempting to observe and record the facts governing these classes of occupations which are only taxed and not artificially promoted by duties on imports, one may first deal with such branches of agriculture and the arts that are listed as manufacturing arts which must be conducted at home both for the home and foreign markets.

Dealing then with wheat as a typical product of this

kind, we first observe that in proportion to the application of agricultural machinery to this crop the tendency was developed to change in a considerable measure the place of production. This tendency did not wholly do away with wheat production at the former centres in the States of New York and Pennsylvania, In those two States, while the product has increased even in recent years as a crop planted in rotation with others, yet it has not increased proportionately with the demand and with the increasing supply. Wheat production has established itself on prairies upon wide areas of land in the Northwest, California, and elsewhere, at a great distance from the chief market, but where machinery can be most effectively used and where the natural resources have proved to be so great as to enable the wheat-grower to apply the maximum of the most effective capital with the minimum of the most skilful labor. The result has been to overcome the disadvantage of distance and to produce wheat at the highest rates of wages paid in that art anywhere in the world—yet at the lowest cost of production.

The accounts which I have received from one great farm in California were so incredible that I could not believe them until I had verified the statements of my correspondent at every point. In the year 1890 the product of three thousand acres of land in California, which had been under cultivation many years without any sign of exhaustion, was 54,000 bushels, at a labor cost of less than four cents a bushel. The result of the labor of one man for three hundred days, or what is the equivalent of one year's work, one hundred and fifty days' labor of two men during the planting and harvest season, was over 15,000 bushels of wheat per man for three hundred days' work.

Again, there is one branch of cotton manufacturing which one may claim to belong in the nature of things more to this country than any other: that is the making of coarse fabrics in which the material is the element of chief importance and the component material of highest cost, the labor of conversion into the fabric being the lesser. The manufacture of what used to be known as "Osnaburgs," for clothing, long since ceased in the Northern States. It continued to be conducted as a handicraft upon the plantations of the South before the war, for the clothing of slaves, and among the people of the Southern mountains until a recent period before that section had been opened by railways. I may repeat again the analysis of this work which I made at the Atlanta Exposition in 1881. Within the same room at that Exposition were to be found representatives of the people of the Southern mountains working cotton with hand cards, spinning-wheels, and hand looms; alongside were the finest examples of modern machinery upon which a fabric was manufactured of which I picked the cotton in the field in the early morning, to be carded, spun, woven, dyed, and made up into a dress suit which I wore at a reception on the evening of the same day.

Calling to my aid an expert manufacturer of coarse yarns from the North, we timed the product of those who were working by hand, and we found that the five persons working in the Northern factory on the same fabric would produce one hundred-fold as much. The five hand-workers could convert a few pounds of cotton into eight yards of "Osnaburg" in one day, working ten hours; five operatives in a Northern factory, working in a little different proportion, were capable of producing eight hundred yards of the same fabric. Wages in the mountains at that time were said to be about twenty-five cents

a day, whenever any hired labor was called for or could be paid for. As a rule, the people were independent and not interdependent, working hard to supply their own meagre wants. At twenty-five cents a day for five persons the labor cost of eight yards of cloth amounted to fifteen and a half cents per yard. In the Northern factory five persons on the same fabric, earning one dollar a day, each making eight hundred yards, reduced the cost of labor to five-eighths of a cent a yard. This is an extreme example of the application of the rule that the lower cost of production is due to the application of science and invention at the higher rates of wages: also the lower the price of the product and the greater the abundance, the more the benefit to the consumer. In this instance, the cost of the labor in the hand-made fabric would be twenty-five times the cost in the factory—the wages in the factory four times as much as in the handicraft.

In Vol. XX. of the United States Census of 1880 may be found the statistics of wages and prices more fully developed than they ever had been before in any treatise upon the subject that has ever come to my knowledge. That volume was compiled by Joseph D. Weeks of Pittsburgh, a gentleman with whom I differ profoundly in economic theory, but whose work in this census is a monument of industry and thoroughness. For what reason a similar investigation did not form a part of the census of 1890 I am not informed. An effort is now being made to secure a special appropriation for the continuation of this most important branch of investigation from 1880 to 1890 and in subsequent years. It is hoped that this appropriation may be made and that this necessary work may be done.

There are great differences in the value of the statistical data which are to be found in this volume. It may

not be that all the statements can be applied in demonstrating the rule under consideration, for the reason that in respect to a great many articles of manufacture there have been changes in the type of the product, in the quality, in the style or fashion, and in many other ways ; yet one who knows how to select articles for analysis from among the many upon which reports are made in this volume will find a great number of examples of the rule of higher wages and lower cost of production. Take, for instance, coarse sheeting, commonly known as standard sheeting, which has been made of the same weight and quality for more than fifty years. I have frequently cited this example. The farmers' daughters of New England who first entered the cotton mill forty to fifty years ago, in order to improve their narrow and laborious conditions of life, worked thirteen to fourteen hours a day on machinery which was very far from being automatic, and which required a high standard of intelligence to work it at all, producing on the average in one year about five thousand yards for each operative engaged, either in carding, spinning, or weaving. Their earnings upon the average were one hundred and seventy-five dollars per year while engaged in this arduous work. The factory was low-studded, badly lighted, and ill ventilated. At the present time a class of operatives, who could not have worked upon the machinery forty to fifty years ago because it demanded more individual skill, are now engaged in the same branch of manufacture. They work ten hours a day, and in that period of labor they earn in each year over $300. The average product is thirty thousand yards for a year's work; the capital is more effective, but has been lessened in money valuation ; the labor is less arduous; the price of the goods to the consumer is much lower. Herein we have a complete example of a lessening

margin of profit, an increase of product, lower prices to the consumer, and higher wages both in money and what money will buy to the working men and the working women.

Among the many examples of reduction in cost, accompanied by higher rates of wages to be found in Vol. XX., I may cite the following articles, which serve strictly useful purposes, and which must have been made throughout the period covered by the dates of uniform and good quality. In very many instances, however, the quality has been improved, while the cost has been reduced and the wages have been augmented.

GLASS TUMBLERS.

Average earnings in 1860 of 14 classes of operatives, each per day,	$1.22
Price per dozen tumblers	$1.50 to 1.25
Average earnings in 1880 of the same classes, each per day	1.63
Price per dozen tumblers	30 cts. to 25 cts

EDGE TOOLS.

Average wages in 1860 of 11 classes of workmen, each per day	$1.92
Price of chopping-axes per dozen	11.00
Average wages in 1880 of 11 classes of workmen, each per day	2.26
Price of chopping-axes per dozen	8.50

CARRIAGES AND WAGONS.

Average wages in 1860 of 10 classes of workmen, each per day	$1.71
Price of a spring wagon	150.00
Average wages in 1880 of 10 classes of workmen, each per day	2.16
Price of a spring wagon	115.00

MILLING WHEAT.

Average wages in 1860 of 10 classes of workmen, each per day	$1.31
Labor cost per barrel of flour	78 cts,
Average wages in 1880 of 10 classes of workmen, each per day	$2.19
Labor cost per barrel of flour	52 cts.

FURNITURE.

Average wages in 1865 of 11 classes paid in greatly depreciated paper money, each per day	$2.45
Price of common extension tables per foot	1.56
Cost of labor per unit of product	35 cts.
Average wages in 1880 of 11 classes, paid in gold, each per day	$2.45
Price of common extension tables per foot	1.10
Cost of labor per unit of product	31 cts.

Since 1880 there has been a further reduction in the cost and price of most useful products, and an advance in the rate of wages computed at ten to thirty per cent., according to the relative skill required in the work.

These examples prove the rule which is based upon an economic principle, to wit: that in proportion to the application of science and inventions to the useful arts under free conditions of trade such as prevail among the States of this Union, *low prices and high wages are the necessary consequence or result of a low cost of production.*

Were the conditions of trade as free with foreign countries as they are among our own States, the same rule would apply, and this country would control the commerce of the world, because the rates of wages earned here from the largest product of useful goods and wares would be the result of our low cost of production. Corollary: That country in which the rates of wages are the highest has the greatest motive for establishing Free Trade with all others, whatever the tariff system of other countries may be.

CHAPTER XXIII.

The Use of Machinery by Nations.

It may now be expedient to develop and describe some of the advantages of this country in comparison with other machine-using nations in order to determine in what those advantages consist and to what extent the power of this country, therefore, exists to supply an increasing proportion of food to nations or States that cannot provide the quantity or quality required for their own consumption, also to determine how far our power now exists or may be developed to meet the demand of the non-machine-using nations of the world with manufactured goods, metal-work, and other fabrics.

It may be observed that the application of machinery to production had been brought about in greatest measure in Great Britain until a recent period. The application of machinery and of modern tools and appliances has since been developed in the United States more effectively and universally within the present generation. We now stand at the head among nations in labor-saving processes. Among European countries, France (including Belgium) stands next to Great Britain, Germany comes third, the Netherlands fourth, while Italy, Austria, and Spain follow at long distance behind their continental competitors; Russia, in view of the handwork of her peasantry, can hardly be counted as a machine-using nation, although

under an almost prohibitive system of duties a little unhealthy progress has been made.

The very slight impression that modern mechanism has made in India is of little account, while in China hand-work is the rule, almost without exception.

It may, therefore, be observed that the chief competition in the supply of non-machine-using nations with the useful fabrics of common consumption that are made by machinery, rests between the United States and Great Britain. The population of the United States is now about sixty-five millions, Canada may be classed with this country in view of the certainty that within a very short time the grotesque absurdity of tariff barriers will become apparent when a commercial union will ensue. There are about thirty-three millions in England and Scotland; four and a half millions in Ireland.

The other machine-using populations of the continent of Europe number substantially as follows:

France and Belgium	45,000,000
Germany and the Netherlands	50,000,000
Total	95,000,000

The States which have applied machinery in some small measure, and which may share with the principal machine-using nations in the production of useful articles by modern methods, mainly for home consumption, are:

Italy, population	30,000,000
Austria, Hungary	41,000,000
Spain and Portugal	23,000,000
Total	94,000,000

Sweden and Norway compete in ocean transportation, but may be set aside with Russia, numbering together

about one hundred millions, from any effective competition in the supply of other parts of the world with machine-made fabrics.

We may therefore classify nations in their effective application of machinery to production for the general consumption of the world upon the following lines:

1st. The United States and Canada, with a population numbering ..... Producing a great excess of food and endowed with coal, iron ore, timber, phosphate deposits, petroleum, and other natural deposits in huge abundance, far in excess of present home consumption.	70,000,000
2d. Great Britain, 33,000,000; Ireland, 4,500,000..... Endowed with coal, of which the supply at moderate cost, especially of the varieties of coking coal required in metallurgy, is approaching exhaustion: endowed also with a large quantity but deficient variety and quality of iron ores; now dependent upon other countries for more than one half the food supply.	37,500,000
3d. France and Belgium. Well endowed with good land and capable of producing a small excess of food in a favorable season, deficient in timber, endowed with a fair supply of ores and coal insufficient for domestic consumption.....	45,000,000
4th. Germany and the Netherlands. Endowed with a small area of good soil and a large area of poor quality, deficient in food supply and exposed to great scarcity in a bad season, deficient in timber, possessing a very limited supply of coal and a moderate supply of iron ores of low grade.....	50,000,000
Total	202,500,000

Within this small limit of one-seventh of the population of the globe is to be found the only effective application of modern science and invention on any considerable scale, such as may entitle them to be included as in any sense among nations competing with each other in the service of other nations, by the application of machinery.

Russia, Sweden, and Norway may be set apart, not to be counted as effective in competition	100,000,000
Italy, Austria, Hungary, Spain, and Portugal, serving other countries in moderate measure with iron ores, grain, and wine, but on the whole not to be counted as effective competitors in the application of machinery	94,000,000
Total	194,000,000

There remain the populations of Asia, Africa, Australasia, South America, Central America, and Mexico, containing a population of over one thousand million people (1,000,000,000), whose resources have only been developed by the railway and steamship within a single generation, and whose application of modern mechanism, aside from methods of transportation, is in its very infancy.

Endowed with unlimited power to supply by handwork crude materials in exchange for the products of machinery, these people stand waiting to exchange their products with those nations who will work them into the machine-made fabrics that they require. They will give ten, twenty, and even in some cases one hundred days of handwork in exchange for one day's work of one man or woman occupied in the direction of modern machinery. We obstruct and try to stop this mutual service.

Great Britain admits these crude materials wholly free of taxation. France, Germany, Belgium, and Holland almost wholly free.

The United States, at the dictation of the Unholy Alliance of Pig-Iron, Wool, and Silver, taxes them heavily, and thus extends the benefit of her tariff protection to the manufacturers of Europe while crippling her own.

It will be observed that, with the exception of France, all European machine-using States import a large part of their necessary food; depending on other countries in greater measure than they export food products. In

years when the harvest is not plentiful, even France is somewhat dependent upon other countries for food. The attempt to protect the farmers of France and Germany by duties upon the import of grain and meat has proved to be futile, and to the extent in which it has been a success in maintaining the prices of food higher than they would have been, it is a disadvantage to the consumers, especially to those engaged in the application of machinery to the arts of manufacturing.

Chancellor Caprivi rendered the verdict upon the McKinleyism of Germany in a recent speech to which reference will again be made. I can only quote a few detached paragraphs.

"German agriculture is in a bad way. . . . It is undoubtedly true that these high protective duties have not done for the farmer what was expected of them. . . . They have only given Protection when these high duties coincided with periods of calamity or short crops in other countries. . . . Even if we were willing to continue under our existing system, the continual struggle for existence would force Germany to give up one industry after another. . . . We have overreached ourselves. . . . Should we imitate the tendency which prevails in Russia, America, and France, and keep ourselves in isolation from other nations the consequences of such a fatal step would be a war of all against all. . . . It is not a question here whether we want Free Trade or Protection. The sole question is to find out the way of maintaining our agriculture and maintaining our industries at a reasonable profit, so that they may live and give work to the laborers. . . . We are inevitably compelled to an exchange of goods with other countries. . . . We must export goods or people. . . . The object of this measure is to ensure peace without the least aggressive aim."

Chancellor Caprivi has been obliged to resign on the question of the control of the public education; but the policy of the Dreibund treaty for mutual service between Germany, Austria, Hungary, and Italy is established.

It will also be observed that the only countries in Europe which have a positive assurance of an abundant food supply by production or purchase are Great Britain

and Holland, which are the only so-called Free Trade countries.

The purpose of this analysis is to call attention to what at first seems to be a very singular fact—to wit, that the only call for the protection of a high tariff in this country or in any European State is directed against the competition of the countries that are well furnished with a most abundant supply of food either by production or exchange. Our own tariff has been framed mainly for the purpose of obstructing imports from Great Britain, which is the best-fed nation in Europe. France and Germany have resisted the import free of duty both of the products of agriculture and of manufactured goods from the United States, which is the best-fed nation in the world; they also resist the import of the manufactures of Great Britain which stands next to the United States in its adequate supply of food; the one produces the excess of food that the other requires and imports free from taxation. If our trade were as free with Great Britain as it is among our several States, to the end that each country could supply itself with its relative wants by the exchange of its food and other products, there would not be a shadow of chance for any other machine-using nation on the continent of Europe to enter into competition upon any extensive scale with the manufactured goods of this country or Great Britain in the supply of the non-manufacturing nations of the world.

One of the reasons which I may assign in explanation of this condition, to wit, that any competition with the well paid and highly fed English-speaking people of Europe and America is impracticable is in the mere fact that *they are well fed.* We may reason upon this subject by analogy; a steam-engine may be of the very best type, the boiler made of the best kind and rightly set up; still,

if the fuel is deficient, the supply of energy will be diminished in a proportion vastly greater than the measure of the pounds of fuel wanting. In other words, the steam-engine must be worked at its full standard and must be supplied with fuel adequate to that standard, or else it will do very ineffectual service. The engine must not only have its full supply of fuel, but it must have the right kind furnished in due proportion.

As coal supplies energy to the steam-engine so food supplies energy to the human engine. Food must be sufficient in quantity; it must be rightly prepared, and it must be of the right quality and kind. This supply of food is far more complex than the problem of the supply of fuel required by the steam boiler. Even the quantity may apparently suffice, but if the nutrients are not in right proportion, the man may almost starve and may be wholly incapable of effective work. These nutrients consist in certain proportions of the hydro-carbons, or starchy materials; of fats, which are derived from animal or vegetable products; and of nitrogenous materials, scientifically called Proteids, which are derived, in principal measure from meat, but may be derived, where meat is lacking, from the leguminous products of the field, such as peas, beans, and the like, and also from cheese. The nitrogenous element in food is the one by which muscular energy and power of work are mainly supported. If this element is deficient, the nation wherein it is deficient will be incapable of the highest measure of production and will be apt to have its working force classified under the head of "pauper laborers." In other words, it begins to appear that the whole body of pauper labor of nations and States upon the continent of Europe is as a rule *under-fed* or *ill-fed labor*, the deficiency being mainly in the element of nitrogen · that is to say, in the special nutrient

from which the working energy of man is mainly derived or without which, whatever may be the abundance of starch and fat, muscular energy and the power of continuous application to any kind of work will be wanting.

In the matter of food, the problem of this country is to stop the waste of our abundance, the problem in England is how to keep up an abundance by exchange, the problem in France how to distribute and convert into food a fairly adequate supply of food material, the problem in Germany how to supply the army without impairing the power of the people to work, the problem in Italy how to avoid starvation, the problem in Russia how to cope with famine.

If we follow this sequence it becomes apparent that the rates of wages or earnings of the working people rest either upon the adequacy of the supply of food as an antecedent, or follow downward with the increasing deficiency of food in the order given. Using figures as mere symbols and not as measures of the differences, and yet not varying very much in their proportion as a measure of relative conditions, the rule of cause and effect or of effect and cause may be defined in the following series:

As the supply of food is represented by the high numbers so is the rate of wages. As the supply of food diminishes so does the rate of wages lessen.

	Proportionate supply of food.	to	Proportionate rate of wages.
United States,	as 6		to 6
Great Britain,	as 5		to 5
France and Belgium,	as 4		to 4
Germany,	as 3		to 3
Italy,	as 2		to 2
Russia,	as 1		to 1

There is, however, one class of the population of each country which must be and is supplied not only with food

but with an adequate supply of the nitrogenous element to keep it in full working condition, even if the work of the rest suffers.

The masses must yield even to starvation in order that the classes in the armies and navies may be well nourished. When nations are listed in ratio to the proportion of necesary food which is wasted in passive war, the foregoing order is reversed.

The sequence is as follows, interpolating Austria which has a fair supply of food, yet is forced to waste it in great preparations for war.

Russia	wastes	as 6	wages	1
Italy	"	as 5	"	2
Austria	"	as 4	"	3
Germany	"	as 3	"	4
France	"	as 2	"	5
Great Britain	"	as 1	"	6
United States	wastes	0		

because we keep our army usefully employed as a border police, and we waste but little more money on the navy than is necessary to keep up our communications by swift cruisers with our foreign ministers and consuls. Therefore our wages are highest, being derived from the most abundant product.

The supreme importance of the food problem has been foreseen in Germany more than in any other country. In the recent epoch-making speech of the German Chancellor, Caprivi, previously quoted, in support of the reciprocity treaty with Austria and Italy, he said :

" All that we import from outside nations we need ; it consists mainly of indispensable articles of food and of raw products for our industries."

" . . . In the past years, when I was a soldier myself I formed the unshaken conviction that in any future war the question of feeding the army of the country would play a most important rôle."

That which was so apparent to Chancellor Caprivi when he was a soldier, became the chief work of Count von Moltke

and the German Staff, and it was the German army sausage, compounded in the right proportions of nutrients in the smallest and lightest compass, that enabled the soldier to make a strong broth in his camp kettle wherever he encamped, and thus rendered possible the great concentration of troops at Sedan, and made the siege of Metz an assured victory.

That great army must still be sustained in full strength even though the supply of food for the working people of Germany has become so deficient that the water in which the meat sausage of one man has been boiled, possesses a commercial value and is sold to the next man who has no sausage to boil, but is nourished with black bread even in the rich city of Frankfort.

Within a few years the relation of the cost of food to earnings has begun to be examined by scientific methods. Enough is known to state the case in a general way. The proportionate cost of an inadequate supply of food in the families of working people upon the continent of Europe is from 55 to 70 per cent. of their meagre incomes; increasing in ratio as the income diminishes. In the eastern part of the United States the cost of a wasteful supply is about 50 per cent. of the average earnings of average mechanics and artisans. In the West it is much less and may even run below 40 per cent.

I have lately made a beginning in establishing the data of comparative nutrition.

CHAPTER XXIV.

The Waste of Armies.

The reasons for the admission free of duty of the crude materials which are necessary in the processes of domestic industry have been fully treated and will not be again referred to in this series. The practical absurdity of attempting to give tariff protection to the farmers of this country has been dealt with. The separation has been made between those branches of the mechanic arts and manufactures which must in the nature of things be conducted within the limits of our own country and those of which a product of like kind might be imported. The nations which have applied modern machinery to production have been distinguished and set apart from those which have been classed as the non-machine-using nations. The reasons have been given why those nations who have applied modern science and invention to the greatest natural resources have attained a dominant position in manufactures and in commerce by supplying the people of other countries with goods made at a relatively low cost of production as compared to the conditions of the nations which they supply and yet at much higher rates of wages. Reasons have been given why the effectiveness of labor is proportionate to the supply of food; or even proportionate to the supply of that part of the food which yields nitrogen, which is the most costly and most neces-

sary source of physical energy and of the power to maintain continuous work or labor.

Upon a final analysis of all these conditions, the actual competition among nations has been narrowed down to four groups of States: to wit, the United States, Great Britain, France including Belgium, and Germany including Holland.

Were it not for the assumed necessity of protecting the domestic industry and the home labor of this country from the competition of the people of the three geographical divisions named in this list, one may rightly affirm that there never would have been any tariff question in the sense in which that term is commonly used in this country. The attempt to exclude wool and other crude products would never have been suggested and the present contest would never have happened. In a final treatment of the question we may therefore narrow it down to a consideration of the relative conditions of the countries named.

With respect to the three European sections comprising three great States and two small ones it will be observed that Great Britain is called a free-trade country, using that term not in a scientific but in a practical way. The duties which Great Britain imposes upon imports are substantially limited to spirits, wines, tobacco, tea, coffee, and dried fruits. They are imposed wholly for revenue purposes, and in respect to spirits and fermented liquors are balanced by internal taxes on the same articles.

Holland was the typical free-trade country of Europe down to the period when under the domination of Napoleon a huge debt was imposed upon this small state which rendered recourse necessary to duties upon imports. Belgium imposes moderate duties for revenue only, with careful discrimination. Germany under Bismarck's rule

was subject to a high tariff, which, having failed to produce the expected results is now being rapidly modified. France is subject to very high duties upon imports with countries with which she has not negotiated commercial treaties; not, however, as high as our own. In all these states the crude materials which are necessary in the processes of their domestic industry are substantially free from duties and each possesses a considerable foreign commerce.

Discriminating among them it will be remarked that the exports from Great Britain consist mainly of useful fabrics; the products of iron, steel, wool, cotton, chemicals, and the like. The exports of Holland mainly consist in re-shipment of imports from her colonies of dairy products, and of fresh vegetables to Great Britain. The exports of France mainly consist of wines, silks, and finished goods which depend more upon fashion and style than they do upon utility for their market. The exports of Belgium consist either of very cheap goods, produced mainly by handicraft; or of very costly goods, like Brussels lace, which are wholly the product of the lowest priced hand labor, barely earning a wretched and miserable subsistence. The exports of Germany are various and have been greatly increased in recent years by the application of what is known as "the basic process" to the iron ores of Germany, which had previously been almost useless on account of the large percentage of phosphorus in them.

In dealing with the relations of these countries with each other it will be remarked that France and Germany have attempted to secure tariff protection against the imports from Great Britain and from this country; yet the rates of wages in Great Britain are very much higher than they are in France, practically double what they are

in Germany, while the rates of wages are considerably higher in this country than they are in Great Britain.

The question then arises, What is it that has first given the chief control in the supply of the non-machine-using nations with manufactured goods and wares to Great Britain, and what is it that might give a paramount control to this country if we had not put ourselves at a great disadvantage by levying a tax on crude materials so as to maintain the relative cost of such materials in this country much higher than it is in Great Britain, whatever the actual price may be?

The answer to this question is very plain. The paramount control of the commerce of the world has been vested in Great Britain through her position, the stability of her monetary system, and through her possession of what until within a few years were the principal deposits of iron and coal of the world. Through her position, and by working these deposits of coal and iron and their application to machinery and the manufacturing arts, through many years and down to a comparatively recent period protected by penal laws which made it a crime to disclose the methods of the construction of such machinery, Great Britain was enabled to resist the competition even of the United States. By her commerce, first artificially developed, she has been able to purchase an abundant and ample supply of food, until her people are subsisted to the extent of more than one half upon food derived from other countries. This is a dangerous condition. It is necessary for Great Britain to carry the burden of her enormous navy. The supremacy of Great Britain in iron and coal has passed from her and has been assumed by the United States. We now hold the key to the commerce of the world, and we now hold the dominant power to supply the non-machine-using nations of the world

with all kinds of useful wares and goods, because we possess the coal and iron mines which can be worked at the lowest cost with the largest product. We can pay the highest rates of wages because our ores of coal and iron are mined with the least expenditure of labor by the measure of time or days' work. We produce the food and the cotton which the world must buy, because the cost is lower while the wages of labor are higher.

I have said that we hold the key to the commerce of the world, but we have turned it so as to lock out the products upon which we might extend our work, our product, and our progress.

Through these analyses we are brought again to the source of wages and to the distribution of the joint product of labor and capital from which all profits, rents, wages, interest, earnings, taxes, and stealings are alike derived or recovered.

Not only is the product of Europe deficient compared to our own, but its distribution is bad.

At the risk of repetition of data that I have previously given, either in this series or in my books upon the *Distribution of Products* and upon the *Industrial Progress of the Nation*, I must again present the facts that govern the distribution of our excessively abundant product and of the meagre supply of the means of existence in Europe.

The motive of this series as given in the title, *Taxation and Work*, are synonymous terms. All product is the result of all work, be it mental, manual, or mechanical, or a combination of the three methods by which all work is done. All taxation is derived from or constitutes a share of all work. Taxation is either direct or indirect. Direct taxation, in terms of work, consists in the conscription of the workman for enforced service in armies or navies. Indirect taxation, in terms of work, consists in taking a part of the product of work by due process of law.

Lawful taxation consists in taking such part of the products of work as may be necessary for the conduct of the government, by measures so devised that all the work that the people exert in supplying the means shall be secured to the benefit of the government, and shall not be diverted for the support of private enterprise.

Unlawful taxation, making use of the terms lawful and unlawful as synonyms for right and wrong, may be imposed by measures that are legal for taking the property or work of one citizen and conveying it to another under the forms of law, which, nevertheless, "constitutes robbery by a decree under such forms of law."—(*Loan Association* vs. *Topeka, Reports of the Supreme Court.*)

Each nation will be placed at a relative disadvantage with another as it enforces one or the other of these methods of securing work from the people of each State.

This relative disadvantage of a bad method of taxation may, however, be more than compensated by other elements in the conduct of affairs governing production or by the possession of great resources.

The greatest relative disadvantage among the machine-using or manufacturing States of Europe and America already named, consists in the system of militarism, or the subjection of the masses to the support of the military classes. The measure of this direct tax upon labor or work has already been stated in terms of money; it will now be given in terms of work and money combined.

Dealing in round figures and disregarding fractions, according the data of the *Statesman's Year Book* of 1892, the population of France, Belgium, Germany and Holland, numbers 96,000,000; or a number exceeding the population of the United States and Canada, by thirty-seven per cent. According to customary estimates the number of men of arms-bearing age in these four States, of which the united area is 436,851 square miles, or one-seventh that

of this country omitting Alaska, would be 19,250,000, of whom 1,236,000 are in camp, or barracks, or ships of war subsisting upon the work of the rest at a cost of $250 per man, amounting to a tax of $314,000,000 a year. That is to say, one man in every fifteen is idle so far as productive industry constitutes occupation. If we assume that the product of each man's work in productive industry in these States would possess a value of $300, a larger estimate than the work of 1,000,000 other men is devoted to the support of these armed forces and what remains of the product of the rest furnishes them the meagre, underfed support, which characterizes the condition of the mass of the people. This diversion of product from constructive to destructive purposes is especially noticeable in the deficiency of nitrogen in the food of the masses. The muscular energy of the army must be sustained even though the people starve.

This waste of the energy of 2,236,000 men out of 19,250,000 comes to a fraction under twelve per cent. of the whole force and renders it necessary for the women to perform the most arduous field labor, to do the scavenger work of the streets, to mix the mortar for the building trades and in many other ways to unsex themselves. Bearing in mind that these direct and indirect taxes upon work upon the machine-using States of continental Europe, take away the most vital element from production and the most essential element from an insufficient supply of food is not the mystery of pauper labor disclosed? Do not low wages and inefficient work cease to become a cause for dread here or to excite any fear of competition?

In evidence of this relative inefficiency, I may cite the following on the authority of Mr. Chauncey Smith who was the counsel of the McKay Sewing Machine Company.

The machines made by this company throughout the duration of its patent rights and of its existence were made in the same way, they were all owned and kept in repair by the company, the revenue was derived from the sale of stamps, one of which was to be attached to each pair of boots and shoes made upon the machine. The revenue derived from the machines thus put in operation in Europe was only two thirds as much as the revenue derived from each machine on the average in the United States. *Ex uno disce omnes.*

From this example, the relative conditions of the competition between the continental States and the English speaking people of Great Britain and the United States may be comprehended. Upon the continent of Europe it requires longer hours and a greater number of working men or women to do the work, the wages in all arts are lower but the cost of labor by the unit of the product is in almost all cases higher. Except for the variations in the relation of wages to cost of labor which have been brought about by restrictions upon trade this rule would apply to all cases.

If the standing army of the United States bore the same ratio to the number of men of arms-bearing age as those of Germany, France, and the Netherlands, we should now have 850,000 men in active service and at our higher ratio of product it would take the work of at least 650,000 men to support them, making 1,500,000 men in all. By so much as this burden is less our power to compete with France and Germany is greater; we deprive ourselves of a part of this advantage by taxing crude materials that we require while they admit them free.

But the burden upon Great Britain is less but still severe, especially in the necessary construction and support of her navy. In proportion as her burden is less is

her product greater, her wages higher and her competition more urgent as compared to continental Europe. Yet so far as the mere equivalents of taxation and work for the support of the national government, army and navy interest on debt and pensions can be expressed in terms of money, her assessment in 1890 was nine dollars and a quarter per head while ours was only five dollars and a quarter. We must, however, add to our own tax the evil effect of a bad system which almost if not quite doubles the sum. But even then, in proportion to our greater product we are subject to a lesser burden of taxation as compared even to Great Britain, while in respect to the States of continental Europe our burden is trivial.

National debts work a different distribution of the products of labor from what would otherwise be made, and therefore may create great differences in the relative conditions of the classes who own the bonds as compared to those who are taxed for the interest.

The only national debt which is being diminished in Europe is that of Great Britain; others are increasing. The interest-bearing debt of the machine-using nations that I have listed, Great Britain, France, Germany, Belgium and Holland is about $10,000,000,000, say ten billions dollars, mostly incurred for purposes of war. Our own debt, bearing interest, is less than $600,000,000, all of which will soon be paid.

When the English-speaking people of Great Britain, Canada and the United States are united in the peaceful bonds of reciprocal free trade, qualified by tariffs for revenue only, the continental States of Europe must disarm or starve.

In the interval, the government of the masses for the support of the privileged military classes go on. That which is seen is the increase of debts, the increase of

taxation, the growth of deficits, the spread of hunger and the enforcement of the conscription and the military drill with greater and greater severity. What is not seen but heard is the explosion of the bombs of the anarchist, the conspiracies and assassinations of the nihilist, the revolutionary excesses of the communist and the rapid spread of socialism when, even for a few weeks, the pressure of the government is removed.

These are the complement of the policy of blood and iron and of military rule.

It must be left to others to trace out the connection of cause and effect. All that I can do is merely to suggest what may be hidden behind the figures of Taxation and Work except to those who can apply the imagination to wrest from them their true meaning.

In support of the theory that the rate of wages depends upon the supply of the nitrogenous element of food, I may give some facts which have been developed by an investigation of the comparative nutrition of countries and States upon which a beginning only has been made.

A thirty days' ration that will support life without much power of work consists of fifty-three pounds of grain and vegetables with four pounds of fat—either butter, pork or suet. In Boston this quantity can be bought for $2.10, or at the rate of seven cents a day; flour purchased by the sack or barrel, the rest in small parcels at retail. Twenty-five pounds of meat added carries this life-ration to the standard of the working ration of a German soldier in active service. In Boston this quantity can be bought at retail, of the coarser or tougher portions of meat readily converted into nutritious, appetizing and tender food by right methods of cooking for $1.80, or at the rate of six cents per day, making the cost of adequate nutrition thirteen cents a day or ninety-one

cents a week. Coffee or tea may be added within the compass of $1.00 a week. Of course there are very few persons who can give the time or possess the gumption to secure a good subsistence at this low cost, but it is wholly feasible. In this land of abundance the food bill of an adult working-man is apt to be double the sum named and a large portion of what is spent for food material is wasted in bad cooking. That subject does not come within the scope of this treatise. Suffice it that one may obtain the full standard of nutrition of a German soldier and vary the bill of fare every day in the week at a cost of thirteen cents a day in New England.

In Michigan, Iowa, and Nebraska the cost of this full supply of bread, meat, and vegetables may be reduced, at the customary retail prices, to eleven and even to ten cents a day. In London and in Paris the cost is sixteen to seventeen cents. In Berlin, Nuremberg, Munich, and other cities of Germany the cost of the same quantity of bread, vegetables, and meat is twenty-one to twenty-three cents per cent. The wages of the workman permit no such expenditure; he can barely secure a supply of food that will support life, he must forego the meat, and make up as well as he may for the deficiency of nitrogen by the consumption of peas, beans, lentils and other legumes, and of cheese. But when he has spent sixty to seventy per cent. of his meagre earnings for the food of himself and those who depend upon him he is still an underfed and ill-nourished man. For want of means he cannot buy the food which is necessary to efficient work, for lack of efficiency in the work he cannot earn more than enough to support life, and barely that. Meantime the army is supported on rations which have been most carefully computed so as to secure the maximum of energy.

No wonder that the government of Germany is attempt-

ing to teach the working-people what food to buy and how to cook it, lest hunger should convert socialism into anarchy, and perhaps induce the conscript soldier who is now subject to a drill which has been denounced as cruel in its severity, to turn his rifle upon the privileged military class, by whom the policy of blood and iron has been enforced.

The thrift of the French and their skill in cooking enables them to resist the lesser measure of want that afflicts France; but her population is stationary, and Paris is a volcano ready to burst into a destructive eruption at any moment. Italy pays for armed liberty by semi-starvation, and, like Germany, is losing the better part of her working-people by emigration, while the less capable and ill-nourished remain.

The benefits of modern science and invention, and the increased product derived therefrom, are grasped by the governments of continental Europe and expended in military oppression; yet national debts and deficits increase, while the disciples of Lasalle preach the so-called "iron law of wages," which has no application in a free country. It is based upon the conception that the lower the cost to which a bare subsistence may be brought, the lower will the rate of wages be forced.

In the French Revolution the soldiers fraternized with the people. In the Revolution of 1848 they began to do so, but were checked. What will be their decision in 1893 to 1898 if another bad harvest occurs?

It matters not to this country, in the consideration of the subject of foreign competition, whether the conditions of continental Europe remain as they now are or culminate in revolutions; the only aspect of the case to us is how to enable these underfed people to buy our food by enabling them to send us their products which are their only means

of payment. Otherwise it will happen, as Chancellor Caprivi has put it, "Germany must export goods or men," and so must other European countries. Either the product or the laborer will come to this country: which can we assimilate most readily? Would it not be better to make it for the interest of the French Canadians, the Italians, the Bohemians, and the Slavs to remain at home by opening the way for them to buy our excess of our grain, cotton, iron, oil, and goods in exchange for whatever they can supply as the means of payment, rather than to promote their coming to this country faster than we can find suitable work for them to do?

As Daniel Webster once tersely put the case, "Can we afford to do the kind of work in this country which foreign paupers can do for us," without coming here and placing any greater difficulty upon us in the conduct of our government?

CHAPTER XXV.

Senator Morrill's Report on Canada Received. Food and Wages.

After Chapter XIX. of this series had been completed, a report made to the Senate of the United States by Senator Morrill and Senator McPherson, upon the effect of the McKinley tariff upon our commerce with Canada, was published.

The report is written by Senator Morrill; his colleague concurs in the statement of facts given therein, but does not concur in the conclusions that are drawn from them by Senator Morrill. One cannot greatly wonder at his reserve—he may soon perhaps give his own conclusions. No document has yet been published which gives such conclusive testimony in regard to the grave injury done not only to the people of Canada, but also of the United States, by the tariffs of 1883 and 1890. It was hardly to have been expected that Senator Morrill would read the true lesson on which he himself has become a most satisfactory witness. Senator Morrill labors under the delusion which is now shared by only a very small number of the older members of the Senate and of the House, that one of the effects of a duty imposed in this country upon a given import is to depress the price of that article in the country in which it is produced, and that by such reduction the burden of our tax is put upon that country.

It is difficult to deal seriously with this misconception. If it were true, it would be manifestly for our interest to transfer all our taxes to our neighbors; it would also be manifestly as much for the interest of our neighbors to put all their taxes upon us.

Again, if we could thus shift the burden of our taxes, on what ground could the remission of our tariff taxes upon tea, coffee, and sugar be justified? Why should we not put eighty to one hundred million dollars' worth of the cost of our government upon the producers of tea, coffee, and sugar, which at the instance of a Republican administration, with the support of Senator Morrill, have been made duty free?

There are, however, some conditions under which the effect of a duty upon imports into this country *is* to depress the price of a dutiable article in the producing country; this is one of the most evil effects of a high tariff system that can be conceived. Our duties upon the products of Canada have unquestionably had that effect, because a very large portion of the products of Canada are of such a nature that if they cannot be exported to the United States they cannot be sold for export to any other point.

We will now take up the testimony of Senator Morrill. After reporting upon the lessening population of the border towns of Canada, he says:

"From the testimony taken, it was clear that the United States offered better markets and higher prices for anything and everything that Canadian farmers had to sell, than could be obtained in the Canadian Dominion, and the price and value there of horses, cattle or sheep, hay, peas, beans, butter, eggs, and poultry, was invariably as much below the selling price in the United States as the amount of duties imposed and the cost of transportation. . . . So far as the Canadian Dominion is concerned, there is no doubt that they bear the entire burden of duties imposed upon their exports into the United States."

Elsewhere Senator Morrill proves that the duties on pine boards had a similar influence on Canadian prices. Here we have a complete admission that when trade is obstructed by high duties imposed by a country of very great purchasing and consuming power, like the United States, the prices of the taxed articles must be reduced in the producing country. What is the effect of that reduction? Under a treaty of reciprocity with Canada the Canadians bought from us goods, wares, and products of various kinds, to the full extent of the full value of their sales to us before the reduction in price. By reducing the receipts for their products in the measure of our taxes upon imports, we have therefore cut down the purchasing power of the Canadians; by our own act we have reduced their capacity to buy our products in that measure or even in greater measure. Who loses most?

Why in greater measure? Because the margin of profits upon Canadian products was probably in many cases so small as to be within the line of taxation. By reducing the prices of their products to the full measure of our taxes upon them we have destroyed their profit, and we have therefore forced them in some places to give up the entire product. This is proved by the increase of immigration from Canada to the United States, which will be subsequently treated. Having deprived Canadians of their work at home, they come here; Senator Morrill is a good witness to this.

Let him, however, carry his investigations further and deal with the same principle applied in other countries. Our tax upon pig-iron has depressed the price of iron in Great Britain and Germany; our tax upon wool has depressed the price of wool in Australia, South America, Antwerp, and London, precisely as our tax upon beans, potatoes, butter, and eggs has depressed the price of these

articles in Canada. A country of huge purchasing power like the United States cannot withdraw in part or be wholly excluded from any market anywhere, without in some measure depressing the price of the article which we are forbidden to purchase in that market. What then ensues? The consumers of the lessening product of Canada have been enabled to purchase food supplies for the operatives in their factories and in their workshops at a lower cost, and thus have perhaps been enabled to supply the Canadian markets with goods that might otherwise have been purchased in this country. In the same manner our taxes upon pig-iron and wool have depressed the price of these most important crude materials in Europe. Senator Morrill perceives the effect in Canada, and he may perhaps say that we have thus put our tariff tax upon iron and wool upon the producers; but when one looks a step beyond that first plausible but somewhat shallow conception, it at once appears that we have thereby given the consumers of pig-iron and wool in Europe a huge advantage over our own factories and workshops.

The Senator next very naïvely relates the evil effect upon ourselves of our duties upon Canadian products: "Formerly," he says, "in the absence of all duties the Canadians sold their white winter wheat in our market, and took in return some of the cheaper spring wheat, bearing a less price. At that time Oswego, N. Y., milled about ten thousand barrels of flour a day, and now mills only about twenty-six hundred. The abrogation of the Canadian reciprocity treaty rendered Oswego elevators of comparatively little use."

What more damning evidence of injury to ourselves could be given than this? Senator Morrill goes on with his testimony: "When this traffic in flour was broken up,

the Oswego elevators were devoted in part to storing Canadian barley," which is of better quality than the barley grown farther South, for malting and converting into beer. But again, Senator Morrill testifies in a perfectly straightforward manner that "although a higher rate of duty was placed on malt through the act of 1890 than in 1883, yet the higher rate on barley tended to exclude Canadian barley also. . . . Notwithstanding Oswego has less milling and lumber business than in former years, and since 1890 having its malting business threatened or wholly suspended, yet its citizens are by no means wanting in courage, and have started new and prosperous enterprises," among which Senator Morrill names "*shoddy-cloth mills.*" The people of Oswego must be very grateful to Senator Morrill and Representative William McKinley, Jr. These gentlemen and their coadjutors have decided that the people of Oswego were incapable of choosing the right investment for their capital or the right employment for their workmen, and having destroyed their capital and stopped the work of their laborers in milling wheat and malting barley, they now heartily commend their courage and enterprise in attempting to convert their old clothes into new garments by establishing "*prosperous shoddy-cloth mills.*" Since this was written, the elevators, which had been in part destroyed by our tariff, have been wholly destroyed by fire. Does the Senator commend the fire?

We will now cite Senator Morrill's testimony upon the labor question. The declared purpose of the policy advocated by himself and his coadjutors is to maintain the rates of American wages while he deprives the laborer of the hard wheat, the better barley, the potatoes, the fish, the eggs, and the other foreign luxuries with which Canada might flood us. In order to maintain the rate of wages

of the American farmer, lumberman, mechanic, and factory operative he has taken the most effective measures to promote immigration from Canada.

It will be observed that he bears witness to the fact that by taxing Canadian products we have depressed the prices, and that by so doing we have depressed the rates of Canadian wages. Manifestly this must be the result, because all wages are derived from the sale of the products of labor. To the extent that we have depressed the prices of Canadian products we have destroyed the power of Canadian employers to hire Canadian labor. Hence it follows, as Senator Morrill testifies, that "wages are much less in the Canadian Dominion, ranging in amount from fifteen to thirty-three per cent., and in some cases even to fifty per cent. . . . The average difference of all kinds of labor may be reckoned at rather more than less than twenty-five per cent. It was remarked that the wages of the laboring man in Nova Scotia and New Brunswick were twenty-five per cent. less than in Maine."

Having thus converted the flour mills of Oswego into shoddy-cloth mills, having deprived the people of Canada of profitable work in supplying some of our wants, having reduced the rates of Canadian wages below the level of a comfortable living, what comes next? Again Senator Morrill, with unconscious integrity, bears witness. "Commencing in April it was stated that there was a daily average of about eight hundred Canadian and foreign immigrants who passed through Newport, Vermont, on their way to New Hampshire, Massachusetts, and elsewhere to obtain employment, many of them brickmakers. In the fall of the year they mostly return. Another class comes in the fall and returns in the spring, but all come in consequence of higher wages. Some are destined to go as far as Savannah, Ga., and as the same parties appear, year

after year, it may be presumed that employment has been promised." The evidence taken in Detroit was to this effect: "Many Canadian laborers come here, of course because of better wages, and because they can always find work here. . . . Some of the workingmen, although citizens of Detroit, rent houses in Windsor for the reason that rentals are much less there." This testimony in regard to what has been called "the pauper labor" of Canada coming in competition with our workingmen in New England and other sections may be commended to the especial attention of those who wish to regulate immigration. May not immigration from Canada be regulated by making it more profitable for Canadian workmen to stay at home and supply us from there with their products in exchange for our manufactures,—rather than by inducing them to come here, year by year, to work for a season, sending their wages back to Canada for the support of their families, while they themselves compete each season for a share of the work that is to be done here?

I may also venture to commend this statement to Senator Dawes, whose definition of the principle of Protection I will now give: "It is the principle, as I understand it, which leads one man to erect a fence between his pasture and that of his neighbor that he may the better enjoy his own."

It would perhaps be well for Senator Dawes to repair the fence between Massachusetts and Canada which keeps out wool but lets in the shepherd,—keeps out potatoes but lets in the farmhand,—keeps out lumber but lets in the carpenter,—that keeps out the bricks but lets in the brickmaker. Perhaps the workingmen of Massachusetts will build that fence in another way. They will take off all the top bars and some of the lower ones; they will make some gates in the fence so as to facilitate commerce

with Canada, and so as to induce the Canadians to stay at home where they may earn good wages by supplying us with fish, potatoes, eggs, barley, hay, oats, lumber, and other Canadian products, of which they will send us an ample abundance in exchange for the manufactured goods and wares of our own States.

So much for this admirable report of Senator Morrill. Since this series of treatises was undertaken we have also been furnished with preliminary reports giving the data that have been secured by Col. Carroll D. Wright, in respect to wages and the cost of subsistence in foreign countries. The facts which have been given in these reports wholly sustain me in my own deductions made from my limited investigations, and also sustain some of my *a priori* and hypothetical conclusions in the most convincing manner.

Time and space will not permit a complete analysis of this report. For present purposes it may only be referred to in order to sustain certain propositions previously given in regard to the relative earnings of the people of different countries, and also in support of my theory of the ratio of earnings to the food supply. I avail myself in part of the analysis of this report made by the *Daily Commercial Bulletin* of New York. From this it would appear that information has been obtained by Commissioner Wright from 5,284 families, representing 27,577 persons, an average of 5.20 per family. The normal family under the instructions given by the Commissioner was to be selected under the following provisions:

1. Both husband and wife.

2. An expenditure for each of the following items: rent, fuel, lighting, clothing, food, and other purposes.

3. Must rent the house in which it lives.

4. Must not have more than five children, none over fourteen years of age.

5. Must not have any boarders or tenants.

One can only guess at what the normal family of this country really is, or what the normal income of the average working family of this country may be. From my own investigations I am very certain that it would substantially cover five persons, father, mother, and three children, and that the normal or average income of working people in the strictest use of that term would be found on the line of $500 a year to each family; there may be a substantially equal number spending between $400 and $500, and between $500 and $600. There would also be a much greater number between $600 and $1,200 than there would be found below the $400 limit.

The normal family among all classes is substantially five, but relatively few families are supported by one member. The group of which one is at work for gain consists of three persons, one of whom supports the other two.

When the full report of Col. Wright's investigations is printed, together with the data now being gathered for the Senate Finance Committee, we shall probably be able to determine the relative income and expenditure of many classes of working men and women in this and in other countries more surely than we now can.

Assuming that the analysis given in the *Daily Commercial Bulletin* is accurately computed, we find that, according to Commissioner Wright's figures, in the normal family of 5.20 persons, as given by him, of which the working members are occupied in the cotton industry, in the woollen and worsted industry, in the production of pig-iron, and in the conversion of pig-iron into bar-iron (the latter being a class of high-priced workmen),—

The average income per family in the United States comes to.....$674
In corresponding families in Great Britain the income is..... 510
In France (pig-iron not being given, on cotton, woollen, and bar-iron only), average..... 418
In Germany, on cotton, woollen, and bar-iron, average..... 287

The advantage in this country is somewhat greater than my proportionate estimates.

The earnings of these specific groups in this country are:

135 per cent. above German rates
61 " " the French
32 " " the English.

The relative proportion of expenditure may vary in other occupations; our present purpose is to determine the relative purchasing power of that proportion of the income which is devoted to the purchasing of food in this country, Great Britain, France, and Germany by working people in these specific classes.

The relative incomes of the three classes and the per cent. of money spent for food in the classes previously given are as follows:

United States.....	income	$674;	expended	for	food	44 %	or	$296
Great Britain.....	"	512;	"	"	"	50	"	256
France.....	"	418;	"	"	"	48	"	200
Germany.....	"	287;	"	"	"	50	"	143

Recalling the fact that a ration equal to that of a German soldier in active service can now be purchased in Boston at twelve and one-half to thirteen cents per day,—in Great Britain at sixteen,—in France at seventeen,—in Germany and Belgium at twenty to twenty-three,—we then have the purchasing power of the income devoted to nutrition in its relation to food supplies.

The purchasing power of $296, spent in New England in daily rations at an average of thirteen cents, yields 3,277 rations; $256, spent in Great Britain at sixteen cents, yields 1,601 rations; $200, spent in France, at seventeen cents.

yields 1,176 rations; $143, spent in Germany at twenty cents, yields 702 rations; all for one year.

We may rightly assume that the normal family, estimated by Commissioner Wright to contain 5.20 persons, possesses the consuming power of four adults. Divide the rations per family by four and we then find that the average sum expended per adult in the United States for 365 days will give him 569 full rations. He spends his money for a higher price and quality. The average expenditure per capita in Great Britain yields 400 full rations for 365 days, or a good subsistence with a margin over, which corresponds to the condition of the well-fed prosperous English artisan or mechanic. In France the per capita expenditure yields only 294 full rations for 365 days, which is consistent with the lack of meat and the relative lack of energy among the French. The purchasing power in Germany of that part of the meagre income devoted to food is only 176 rations for 365 days; all facts, observations, and figures indicate the underfed condition of the great body of German workmen.

It may be urged that the data are not yet sufficient for such a conclusion. Let it be remarked, however, that so far as these data prove anything they sustain the *a priori* theory derived by myself from broad and general averages, and they are sustained by the reports of special investigations. They correspond also to the observations of acute scientific observers who have witnessed in Germany the exact conditions named. These results are in themselves deductions from the widest, closest, and most scientific investigation of figures and facts combined that has ever been made in this or any other country.

The conditions in Italy are worse and the increasing deficits are now forcing the government to diminish armaments under penalty of starvation.

Reference has been made to proportionate incomes. From an advance sheet kindly furnished me by Commissioner Wright from the Seventh Report of the Department of Labor now in press, I am permitted to give the proportionate incomes of 2,562 families, being only a part of those previously considered. In the United States,

EARNING	FAMILIES
Under $200	24
$200 and under $300	105
$300 " " $400	395
$400 " " $500	659
$500 " " $600	509
$600 " " $700	300
$700 " " $800	192
$800 " " $900	111
$900 " " $1,000	95
$1,000 " " $1,100	62
$1,100 " " $1,200	24
$1,200 and over	86
Total	2,562

The proportionate expenditures of these families are:

For rent	15.05	per cent.
fuel	5.01	" "
lighting	.90	" "
clothing	15.31	" "
food	41.05	" "
other purposes	22.68	" "
Total	100.00	" "

I have given these latter details as matters of general interest, and as examples of the studies now in progress from which we may soon be in possession of such adequate knowledge of the relative conditions of labor in this and other countries as will remove many errors which now obscure the discussion of the tariff.

CHAPTER XXVI.

In the Matter of Silver, Bi-Metallism, and Free Coinage.

It would not be suitable to leave the subject of Taxation and Work after having treated the tariff system only. The very worst and most destructive form of tax that can be imposed on any community is to tamper with the currency and to impair the standard of value. Compared to this method of taxing the many for the benefit of the few, the tariff sinks into relative insignificance.

It will not be possible to extend these treatises much further. Hence, the only present treatment which the writer can be permitted to adopt will be to put down a series of propositions and interrogatories, to the end that each person who gives thought to the subject may designate all points of agreement by numbers. These points being eliminated, a large part of the apparent complexity will be removed, and it may be possible thereafter to come to an agreement on the points of difference which will be left after cancelling the points of agreement.

In framing these propositions and queries I have endeavored to develop the logic of the case upon the basis of admitted facts, bearing in mind that all statutes which are not consistent with the nature of things must either be repealed or become inoperative, else the attempt to enforce them will only make disorder.

1. Gold and silver have become what are known as money metals, through a gradual process of natural selection subsequently established under forms of law.

2. Coinage is a process of manufacture; that is to say, a process of converting a definite weight of the pure metal of which the coin mainly consists, with a definite proportion of alloy into a disk, upon which a government stamp is put in order to certify its kind, its weight, and its fineness—in other words, to certify to the quality of the coin. That definition exhausts the word coinage.

3. Coinage has been made a government monopoly in order to assure just weight and quality.

4. The names of nearly all coins can be traced to definitions of weight. It is probable that all coins were once named in that way so that the name might correspond to the weight of metal in them. When subdivided, the smaller coins represent aliquot parts of a given weight.

5. The valuation, estimation, or conception of value of each coin is first derived from the estimation in which a given weight of metal is held in ratio to other things that may be exchanged for it. The estimation or value of representative or token money rests wholly upon its being redeemable or convertible into coin of full weight.

6. When goods are sold for coined money or its equivalent, coin is bought; *vice versa*, when coin is bought, goods or services are sold. It is not necessary that actual coin should pass; instruments of credit serve to give title to coin.

7. A contract to pay one or many dollars is therefore a contract to deliver certain *things* containing a certain weight of metal.

8. A contract to deliver a certain number of gold dollars is, therefore, a contract to deliver the just weight of

gold in the gold dollar. The alloy adds nothing to the value. The process of coining merely certifies the coin and gives stability to its valuation.

9. A contract for the delivery of one metal cannot be satisfied by the delivery of another metal in any true and just sense at any fixed ratio or proportion, because the ratio or value of each, as compared to the other, changes.

10. If it were enacted that *dollars* were to be made only of gold, and that the silver coin which is now named a dollar were legally named *thaler* (from which word the word dollar is supposed to be derived), then a contract in dollars could only be satisfied by the delivery of gold dollars; a contract in *thalers* could only be satisfied by a delivery of *thalers* in silver.

11. Scrip, that is to say, tokens made of paper convertible into either kind of coin, might be used for small change.

12. Under such conditions no act of legal tender would be required, except for the perpetuation of evidence that either thalers or dollars had been offered in liquidation of a contract.

13. It is not necessary to the enforcement of or practice under an act of legal tender that the kind of money in which a legal tender is to be made should be specified, *provided* there is but one lawful coin under one name.

14. A tender of merchandise may be made, but the delivery may not be accepted because the quality is not what it purports to be, even if there is no dispute about the weight.

15. A delivery of a given number of pounds of cotton may be tendered, but if the tender is in troy pounds of 5,760 grains each, then the tender is not good, the purchaser being entitled to pounds avoirdupois of 7,000 grains each.

16. By analogy, an act of legal tender may serve its full purpose in perpetuating evidence of an offer of delivery of money of one kind or another—each kind in lawful coin—without enforcing the acceptance of one kind or the other.

17. Let it be assumed that all mints were open to the free coinage of gold or silver, without charge for the cost of converting the bullion into coin, the dollar of gold being established by law of the same weight and fineness as it now is; the *thaler* of silver being established by law at 412½ grains, nine-tenths fine, corresponding in all but name to the present silver dollar. Free coinage would then be safe.

18. Which kind of coin would be the one chosen by buyer and seller as the standard of their contracts?

19. When contracts in dollars could only be fulfilled in dollars made of gold, or multiples thereof, and when contracts in *thalers* could only be fulfilled in silver *thalers*, would either buyer or seller be likely to make a contract in *thalers?*

20. Would silver bullion be brought to the mint for conversion into thalers? Would any bank or banker keep a reserve of lawful money consisting of thalers? Why not?

21. Would it not be because the silver thaler might not be equal in value to the gold dollar?

22. Why not? Would it not be because the silver thaler would not be worth as much after it is melted as the gold dollar is worth after it is melted?

23. Can a silver thaler of 412½ grains, nine-tenths fine, stamped with the motto, "IN GOD WE TRUST," designated one *thaler*, be made equal in value to a dollar made of gold, by an act of legal tender?

24. If a silver *thaler* cannot be made equal in value to

a gold dollar, how can a silver dollar identical in all respects, except in the matter of two letters, be made equal in value to a gold dollar?

25. Can a thing of which the first two letters of the name are *d o* be given a value thirty per cent. in excess of the same thing under a name of which the first two letters are *t h?*

26. Equation:—One thaler of 412½ grains of silver nine-tenths fine being worth seventy cents in gold, how much is one dollar of 412½ grains of silver nine-tenths fine worth?

27. Can you make one dollar of silver of 412½ grains worth one hundred cents in gold by forcing a creditor to take it under the penalty of losing his whole claim if he refuses?

28. What man of common-sense being in possession of capital valued at the standard of gold at one hundred cents on a dollar, would lend that capital on credit subject to the liability of its being paid in silver dollars or silver thalers?

29. What does the South need to-day, good credit or bad money?

30. What is bad money? Is it not that kind of money that is worth less after it is melted than it purports to be in the coin?

31. A silver dollar is worth less than seventy cents after it is melted. Is it good money?

32. Can good credit be established on bad money?

33. There must be a money of redemption.

34. There must be a standard of deferred payment.

35. That money must be coin.

36. That coin must be worth as much after it is melted as it is in the coin, provided the government makes no charge for coinage.

37. All paper representative or token money must be redeemable on demand in coin of full value—that is to say, in the money of redemption.

38. The money of redemption must therefore be a standard or denominator of all valuations.

39. The money of redemption must be a standard of deferred payment.

40. International commerce is conducted or nominated in terms of money.

41. Whatever the money of the country from which the export is made, or to which the import is directed may be, the common denominator or standard of international commerce has become the pound sterling.

42. What is the pound sterling?

43. There is no coin of that name. It is a simple definition or denomination of a given weight of gold.

44. International commerce is therefore conducted on contracts promising payment in terms of weight of gold.

45. As there is no coin of the name of a pound sterling, actual balances are discharged by the transfer of an equivalent weight of gold in a concrete form.

46. The coin which is known as the English sovereign, when not worn in use, corresponds to the weight named pound sterling; these coins are used in the settlement of balances.

47. In such settlements the sovereigns are customarily weighed out and are rarely counted, except in the delivery of a small number.

48. There is no international act of legal tender, therefore contracts in pounds sterling must be liquidated according to the letter of the contract by a just and true weight of metal.

49. International commerce comes to over seventeen thousand million dollars a year ($17,000,000,000.00).

INTERNATIONAL IMPORTS AND EXPORTS. 1890.

Great Britain and her colonies	$6,000,000,000
Other European countries	8,000,000,000
South and Central America and Mexico	1,300,000,000
United States	1,700,000,000
	$17,000,000,000

(See *Statesman's Year-Book.*)

In the present year the imports and exports of the United States may come to $2,000,000,000.00.

50. If purchases and sales to this amount can be and are conducted upon a standard or denominator of weight of uncoined gold and without the force of a statute of legal tender, then it follows that all domestic purchases and sales in each and every country could be conducted in the same way.

51. There is no need of an act of legal tender among men who intend to meet their contracts honestly.

52. It is not necessary that an act of legal tender should designate the kind of money in which the tender is to be made when each coin is true to its name.

53. No gold dollars are now coined.

54. A dollar is now the denomination of a certain number of grains of gold.

55. If there were no other coined dollars and no act of legal tender in this country, purchases and sales would be made in terms of dollars and accounts would still be kept in dollars. Scrip convertible into dollars could be issued to fill the place of subsidiary coin. Balances of accounts could then be settled in eagles and half-eagles, and in tokens of paper convertible in sums of five dollars into half-eagles.

56. In the international commerce between this country and Great Britain it is common to ship bars of gold in place of coin to foreign countries. The liquidation being by weight they serve the same purpose.

57. International commerce, nominated and liquidated in terms of pound sterling by weight without an act of legal tender, is conducted at the least charge for the services of bankers, and is subject to the least burden in the settlement of accounts.

58. International commerce has become adjusted to these conditions from choice and not by force of law; or rather by a process of gradual selection, as it became manifest that upon the standard of valuation known as pound sterling, the safest, surest, and least costly method of doing the work would be established.

59. If such are the facts, then in reasoning upon the conduct of domestic commerce, these facts must be considered.

60. From these facts principles may be deduced. A principle is "a rule of action among human beings, or an admitted truth that requires no further proof."

61. It is an admitted truth that the practice of nations in the conduct of substantially all international transactions is to denominate these transactions by a valuation in pounds sterling; it is a rule of action among human beings to liquidate their international contracts without resort to law, except in case of failure or bankruptcy; especially without any reference to acts of legal tender.

62. No one misses an act of legal tender in the conduct of international commerce, because it is an admitted truth that requires no further evidence that this form of contract by the weight of gold in pound sterling is the most beneficial to both parties in all contracts.

63. If such are the facts in a branch of trade in which all men are free to act for their own best interest, by what right can any legislator deprive them of their freedom of contract in domestic traffic?

64. By what right can a legislative body force or

attempt to force the circulation of two kinds of coin of unequal value, by giving a debtor an option of which it deprives the creditor?

65. Who will trust such a nation?

66. Who will trust a State which advocates such a measure?

67. Who will trust the citizens of a State by which such a measure is advocated?

68. What more certain way of destroying credit could be devised?

69. Credit transactions are in ratio to cash transactions as ninety-five or ninety-eight to five or two.

70. An act of legal tender could only have been originally conceived in fraud, when a despotic government deprived the lawful coin of a part of its weight, and then forced its circulation among the people.

71. An act for the free coinage of silver dollars of the present standard and of full legal tender would correspond to such an act of fraud.

72. If it were possible to impart value to money by legislation, why not use paper or leather in place of silver?

73. The purchase of bullion would be great folly if value could be imparted by law to any circulating medium without providing for its redemption.

74 All the present efforts to provide more money have been made in this and other countries in past times.

75. Every project now contemplated by the Farmers' Alliances, the fiat-money men, and by the advocates of free silver coinage under present conditions, has been tried, and it has failed.

76. There would be no surer way to enable the rich to pick the pockets of the poor than to pass an act for the free coinage of silver dollars at 412½ grains of full legal tender at the present time.

77. Dating from the opening of the gold mines in California and Australia about the year 1850, the ratio of gold to silver being then one to fifteen and one-half, subject to slight fluctuations and variations down to 1873, more gold than silver has been added to the monetary stock of the world.

78. In later years the proportionate addition of silver has been greater than that of gold.

79. It may be assumed that both metals have depreciated; the one metal gold having become relatively more abundant and being more suitable for bank reserves and for international transactions has taken the place of silver, while silver may be said to have become depreciated from the relatively greater abundance of gold.

80. The use of either metal in actual transactions by passing the coin from hand to hand or from place to place, has greatly lessened in proportion to the transactions by the substitution of instruments of credit convertible into gold on demand. The more intelligent and the more united the people of the different sections, States, or nations become, the less use they make of the actual coin and the greater use they make of bank notes, checks, bills of exchange, and other instruments of credit.

81. The intelligence of a given community may be accurately gauged by its banking facilities and by the confidence reposed in banks and bankers by the community at large, each serving the other.

82. It is alleged that because prices have been reduced in recent years therefore it is proved that gold has become scarce. Reference being made to the Hamburg list of prices, reprinted in Atkinson's *Report on Bimetallism* (State Dept., 1887) or to Jevons' *List of Prices*, or to the prices of the London *Economist*, or to other lists, it will appear that the prices of the necessaries of

life are even now higher on the average than they were prior to 1850, notwithstanding the fact that the cost of production and distribution, measured in terms of work rather than of money, has been vastly diminished.

83. Reference being made to the ante-war period in this country, 1857–1860, it may be held that through the introduction of machinery and the application of science and invention, the people of the United States can now produce and distribute one-third to one-half more of the necessaries and comforts of life, applying thereto less work, both measured by hours and the intensity of the effort, than in 1857 to 1860. Hence lower prices.

84. Had lower prices been due to a scarcity of money or a scarcity of gold, the wages or earnings of labor would also have been reduced. The wages or earnings of labor, measured either in terms of gold or its equivalent or in what money will buy, are now higher than they ever were before in this or any other country.

85. There have been some difficulties about the supply of actual money, and there may now be sections in this country where coin or paper money is not supplied in sufficient measure to serve the use of the people. This may be attributed to restrictive legislation upon banking and to the limitations of the National Bank Act; or else to the tax upon bank-note circulation.

86. There are some indications of a general character which may to some extent show why there may have been a local scarcity either of actual money or of the instruments of exchange or credit, which serve as money —especially in the Southern States—even though the volume of circulating medium in coin, notes, or certificates is now very large—larger than for many years.

87. In the year 1882 the actual tons (disregarding fractions) moved over the railways of the United States

numbered 361,000,000. Each ton was moved an average haul of 109 miles. The number of tons hauled this distance for every man, woman, and child of the population averaged 6.83, equal to 13,660 pounds. The charge for this service came to $9.20 for each person.

88. In the year 1890 the tons moved numbered 701,000,000. Each ton averaged 113 miles' haul. The number of tons hauled 113 miles for each man, woman, and child of the population was 11.22, equal to 22,440 pounds. The charge to each person for this service was $10.56. Had the charge per ton per mile been as high in 1890 as it was in 1882 the service of the railways on freight charges only would have cost the people $238,000,000 in excess of what it did cost them.

89. The population increased a fraction over eighteen per cent. between those two dates, but the railway-freight traffic increased a fraction over sixty-four per cent. The additional quantity moved was 340,000,000 tons of food, fuel, fibres and fabrics of all kinds, hauled 113 miles. If valued as low as twenty dollars a ton these figures represent an increase in the business transactions on one single exchange, to an amount only a little short of seven billions of dollars ($7,000,000,000). The average value is probably above twenty dollars per ton.

90. Banking facilities have not increased in anything like a due proportion; therefore a heavier work has been thrown upon the circulating medium. Therefore notes, silver certificates, and other instruments of credit have not come in rapidly for redemption, because they were required for daily use. So long as all were directly or indirectly convertible into gold, parity with gold has been maintained.

91. It is manifest, however, that no increase either of coin, bank notes, certificates, or other similar instruments

of credit, of one, two, five, or ten dollars, can begin to meet the requirements of such an enormous increase of traffic. It follows, therefore, that any restrictive legislation upon banking should be removed.

92. The tax upon the circulation of State bank notes may safely be removed. The present period differs wholly from the period known as "wild cat banking." There is now an ample supply of coin or other lawful money for all interstate transactions or exchanges, and for the use of travellers; enough to remove all fears of the former difficulties of obtaining money at par when moving from city to city, or from State to State.

93. State banks of issue may now be safely organized for granting credit in the locality where they are established, or within which their notes may circulate.

94. It will become the duty of each community to establish the credit of its own banks, and to assure the redemption of notes in the most certain manner, else they will neither circulate in that locality nor anywhere else.

95. Suitable conditions for the organization of banks may be established among the citizens of each city, each county, each township, and each town. In sections where banks and bankers are looked upon with distrust, money will be scarce and credit will continue to be lacking. In sections where the actual benefit of banking is recognized, and where sound banks are established, money will be plenty, *provided* its absolute redemption in coin of the highest standard is assured under the laws of the State in which such banks may be organized.

96. Under such conditions, wherever there are commodities to be moved there will be plenty of money to move them. Where the quality of the money is absolutely assured, the quantity will adjust itself to the spe-

cific need of each intelligent community, and there will always be enough.

97. When the credit of the money itself is impaired, neither banks nor bankers can serve the community.

98. When the dollar of the United States is as well established and its credit is as well assured as that of the pound sterling of England, the commerce of the United States will assume such proportions as its system of duties upon imports will permit. Its possible magnitude cannot be determined while our money is liable to discredit, and our tariff obstructs imports.

99. The propositions submitted in this treatise have reference to existing conditions. What the effect of a treaty of international legal tender for the common use of gold and silver, interchangeable at a specific ratio of weight, might have upon the value or estimation of these metals must remain to be proved, if such a treaty can be made.

Until then, so long as there is no international treaty, and so long as all international commerce, including that of the United States with other countries, is denominated in pounds sterling, this country among all others has the greatest possible selfish interest in adhering strictly to the gold standard, because the price of all its principal products is determined by what the excess that cannot be consumed at home will bring, either in the home market on sales made for export, or what it will bring in the foreign markets to which it may be exported. The excess of our exports of cotton, grain, oil, and other commodities to Great Britain over imports therefrom exceeds $250,000,000 a year in gold valuation. If we need gold more than we want the merchandise against which we draw drafts in pounds sterling upon that balance, we may demand gold to the extent of our requirements.

If we did not stop the product of our silver mines, nominally worth $70,000,000, in fact worth about $50,000,000, by piling it up in our Treasury, the export of that silver at its market value, whatever that might be, would be added to our gold resources.

The gross product of this country comes to between twelve and thirteen billion dollars on a gold valuation. The little petty product of the silver mines bears the ratio to our total product of twelve hundred and fifty dollars to five dollars. Under the pretext of protection to this unprofitable branch of industry—against the judgment of all the intelligent advocates of an international bi-metallic treaty, the free coinage of silver is urged. The commerce of this country has been endangered and the credit of the country has been imperilled by this proposal.

100. When Free Trade, qualified only by the necessity of collecting a moderate revenue from duties imposed for that purpose, shall have been established, and when our international commerce is conducted by the standard of the given weight of gold, which is contained in a dollar made of gold, without danger of that standard being impaired, the centre of the commerce of the world may be changed from London to New York.

CHAPTER XXVII.

Volume of Trade.

In dealing with our monetary system it becomes expedient to attempt to establish the data of the huge volume of transactions which are conducted in terms of money within the limits of our own country, in a tolerably certain manner, since any legislation, beneficial or otherwise, will affect these transactions throughout the whole circulation. All purchases and sales imply the use either of actual money or of checks, bills of exchange, or other instruments of credit. The one is the shadow of the other, inseparable from it.

One method which I have adopted has been to attempt to value the merchandise which has been moved by the railways. There are no data for the exact computation of the average valuation of the goods, wares, and merchandise which are moved over the railways of this country, yet one can obtain an approximate estimate in the following manner. The lowest-priced products are perhaps moved the longest relative distances, but as a rule they are loaded upon the cars and moved but once because they will not bear the cost of handling. The articles which are below the value of twenty dollars per ton consist mainly of ores, coal, and stone. Our total annual output of coal, of ores, of iron, of limestone used as a flux in smelting, and of building stone, comes to

about two hundred million tons. A considerable part of the coal is used where it is mined, and a large part of the ores with another part of the coal is moved by waterways, the rest is moved by railways.

Of the total tonnage moved by rail in 1890 covering seven hundred million tons, one may assume that one-quarter part consisted of ores, coal, and stone, at a valuation of two or three dollars per ton, amounting in value to less than four hundred million,—probably about three hundred million dollars.

On the other hand, if we compute the movement of cotton by rail, the movement of wool, both domestic and foreign, by rail, and the movement of hemp, sisal, and other fibres which are converted into cordage, twine, flax, and other fibrous substances, these fibres only would reach a tonnage of about two and a half million tons, of which probably two million tons are moved by rail. The value of the wool is from twenty to thirty cents per pound, of cotton seven to nine cents, other fibres varying greatly. It is probable that the total value of these fibres would very nearly equal that of the coal, ore, and stone, even before they are converted into their secondary forms. If moved again after their first conversion they would come to a very much greater sum.

Having dealt in this valuation only with coal, ores, stone, and fibres, we have computed the value of less than one-third the actual tonnage of the railways, leaving the products of the forest and of the field still to be dealt with.

There is no exact measure of the product of the forest. A ton of wood will cover from two to three thousand feet, board measure,—more or less according to the kind of timber. Sawed lumber is worth from ten to sixty dollars per thousand feet, board measure. Therefore the products

of the forest, even in their crude condition, may vary in valuation from thirty to one hundred and fifty dollars per ton.

Food products, however, constitute the larger element in the railway traffic, as they do in the family expenses. An average grain crop weighs one hundred million tons; corn is worth fifteen to twenty dollars per ton; wheat, from twenty to twenty-five; oats, from twenty to twenty-five; meats on the foot, from eighty to one hundred dollars; meats dressed or packed, one hundred and fifty to two hundred dollars; cheese, one hundred and sixty to two hundred and fifty; butter, four hundred to six hundred, and so forth.

Thus far we have dealt only with crude materials of various kinds, and with some forms of food in condition ready for consumption. The only clue that we have for obtaining the exact value of this class of substances is from the figures of the tonnage moved over the Erie Canal. Under the rules of the State all products moved on the canal are valued. They consist mainly of the lower-priced, cruder, and heavier substances. The average value is thirty-three dollars per ton.

In dealing with the railway traffic it would be useless to attempt to compute the value of most of the secondary products or any of the final forms named manufactures, such as flour, bread, canned provisions, fish, fruits, machinery, leather, boots and shoes, hardware, clocks and watches, and all the protean forms of finished goods in which nothing can be found of any weight to which any consideration is due, that is worth less than twenty dollars per ton; while great quantities range from two hundred to two thousand dollars per ton, or even more.

On the other hand, in dealing with the railway traffic there is no means of telling how many times the same

ton is repeated, or how many times the same lot of flour or other commodity may be reported in the way from Chicago to the sea, by the different corporations that make returns. On the whole, however, the largest traffic is over the ways of the largest corporations that make but a single return covering a very long distance. The average haul per ton in 1890 was one hundred and thirteen miles. It may be assumed that most of the heavy and very crude substances, such as ores and stone, are reported but once. It is probable that the greater part of the grain is reported but once, as it is carried to the mill on through lines. Secondary products may be reported more than once, therefore the actual number of tons moved by rail may be less than the apparent number reported; but, on the other hand, the value which has been put on these secondary products is very far below the true value, and the valuation of twenty dollars ($20) per ton on finished products is very greatly below the average.

Mr. H. V. Poor, the author of *The Railway Manual*, has given close attention to this subject, working by different methods from the ones which I have employed, and he has reached the same conclusion, to wit: that the minimum value of all the goods, wares, and merchandise moved over the railways of the United States is twenty dollars per ton.

In view of these considerations one may submit as a fact that the actual tons moved in 1890, as listed in *The Railway Manual*, computed at 700,000,000 tons, moved one hundred and thirteen miles, possessed a value of not less than twenty dollars per ton, or fourteen thousand million dollars ($14,000,000,000) in all. This merchandise was probably worth a great deal more than that sum, and this is the measure of only that part of the exchange of goods, wares, and merchandise which is worked by the

railway system. In each exchange in terms of money, coin, notes, checks, or bills of exchange must pass.

There are other methods of dealing with the same subject, leading up to the conclusions which it is necessary to reach in order to comprehend the full bearing of our monetary system. If we should compute the product of the people of this country at two hundred dollars' worth per head, or at six hundred dollars' worth as the average product of each one in three of the population who is occupied for gain,—our gross product comes to twelve thousand five hundred million dollars' worth at the places of final consumption ($12,500,000,000). It is probable that five hundred million dollars' worth may be consumed at the place of production; all the rest is bought, sold, or exchanged once, twice, thrice, or more. All the rest is moved by lake, river, rail, wagon, or by hand once, twice, thrice, or more, and every transaction is conducted in terms of money. Grain and meat are sold by the farmer to the miller or the packer; moved to the elevator, to the flour-mill, to the creamery, or the packing-house; moved again to the wholesale dealers, and again to the distributors. Fibres are removed from the field to the factory, from the factory to the bleachery, from the bleachery and dye-house to the clothier; moved again to the great centres of distribution, and moved again to the place where they are finally sold. Even in the process of conversion into clothing, fabrics are cut in the cities and are moved hundreds of miles to be sewed into garments in farmers' families and returned. Metals are moved from the furnace to the machine-shop and to the tool factory, and from thence, once, twice, or many times. In every movement there is purchase and sale conducted in terms of money.

All that we can do is to move something; we can make nothing. The work of life is a conversion of force, of

which the end is to supply to each man, woman, and child with from two and one-half to five pounds of food a day, with from ten to twenty pounds of cotton or wool a year for our backs, with a few boards over our heads for a dwelling-place. Food, shelter, and clothing? What else can the richest man consume? What else will satisfy the needs of the poorest? There may be relative and very great inequality in the distribution of the necessaries of life, but there must be substantial equality in the consumption of the materials by which we exist. The greatest inequality is in the provision for shelter. How to house the crowds in the great cities is the hardest problem which we are called upon to solve.

If then we may value the product as stated,—if we may compute the whole exchange by railway at the sum given,—it would seem that the measure of all our business transactions in purchases and on sales or exchange of product for product, all of which must be stated and measured in terms of money, cannot come to less than forty thousand million or forty billion dollars in a year ($40,000,000,000). All these dealings imply delivery of goods by water-ways, by railways, by wagon, and by hand; heavy products by water-ways and railways,—package and wholesale distribution mainly by railway,—parcel delivery by wagon or by hand costing more than either of the other methods. It costs as much for the parcel delivery of a loaf of bread in cities as it does to raise the wheat, mill it, and move it to the bakery and convert it into bread.

If the measure of all business transactions is forty billion dollars, that part which is reported in the railway traffic must come to more than one-third or more than the fourteen billion dollars at which I have computed it. In every one of these transactions in the actual things that

are required to support life, the shadow passes with the substance. Money of some kind, a promise of money, or a representative of money of some kind, goes with each purchase and each sale.

In dealing with our monetary system, legislators touch the very nerve-centre of this immense volume of mutual services. It is computed that ninety-five per cent. at least of these purchases and sales are liquidated by the use of symbols or notes,—by checks, bills of exchange, and other instruments of credit.

Again, we may add to this great volume of trade in the necessaries of life the transactions in real estate, stocks, bonds, and professional services. All of these transactions —with very rare exceptions—are liquidated by checks or other instruments of credit. Again we may reach some conception of the magnitude of our transactions from the figures of the bank clearing-houses. The annual volume of the whole traffic in goods,wares, real estate, and securities cannot be less than one hundred and fifty thousand million or one hundred and fifty billion dollars ($150,000,000,000), and may be more. To any one to whom these figures carry any conception of the functions of money, the paramount importance of the quality of our coin, rather than its quantity, becomes apparent.

At the instance of the representatives of the little petty product of our silver mines, which is worth only fifty million dollars in fact, but for which the owners wish to get seventy million at the cost of the tax-payers, there has been great danger that this whole volume of transactions might be thrown into disorder and confusion.

It is extremely difficult, however, to reason on these huge amounts; we must bring the measure of all these transactions down to the unit of the family. We have computed our product at two hundred dollars per head,

which is very near the mark. From this product, whatever it may be, all wages, earnings, profits, rents, interests, taxes, and stealings are derived. These are the divisions or shares into which these products are converted in terms of money in the processes of exchange by purchase and sale. If this is the measure of all there is, then it follows of necessity that by so much as some may secure more, others must secure less. One in three of our population is at work for gain; the average family numbers five. The incomes of by far the greater number of the families of this country (five in number per family) are less than one thousand dollars; it is probable that the incomes of more than one-half of the population of this country are less than from six hundred to eight hundred dollars a year for each family group of five persons.

If my computation of the trade and commerce of this country in the necessaries and comforts of life is approximately correct, *i. e.*, if each article is bought and sold three times on its way from the original producer to the consumer, then the transactions or purchases and sales are more than three times the value of the total product. If this will be admitted, it follows that the food, fibres, and fabrics on which a family spending six hundred to eight hundred dollars a year is supported, will correspond to sales amounting to two thousand dollars or more in each year.

More than ten per cent. of all who are occupied for gain or engaged in the services of the community are occupied in the mere processes of trade and transportation. The merchants, tradesmen, draymen, the clerks, the railway employees, and the salesmen occupied at the present time number at least 2,400,000 persons out of a total of 23,000,000 who are now occupied for gain, and upon whose work the subsistence of 65,000,000 depends.

Since January 1st, 1879, all this work has been computed by the standard of the lawful unit of value of a dollar made of gold. Under the pretext that the prices of the necessaries of life are now so low as not to leave a sufficient profit to those who control the work of production and distribution, an attempt is now being made to increase the volume of money in circulation by the free coinage of silver dollars, which are worth less than seventy cents on a dollar in gold. By such an act our standard of value would be changed, gold would be driven from circulation, and the whole volume of transactions would require a re-adjustment in order to bring it to an uncertain and variable silver unit in place of the established gold unit of value.

This act is advocated without regard to the concurrence of other nations, and without regard to the relations of this country to international commerce.

The promoters of this act overlook the fact that while prices have fallen since the specie standard of payment was re-established on January 1st, 1879, the wages of labor have constantly risen, subject to occasional small fluctuations. It is for the benefit of the workmen that prices should be kept down so long as wages mount higher and higher, until they are now higher than they ever were before. So long as products increase in ratio to consumption, it is *not* true that the profits are insufficient. Our product has increased in the period that has elapsed since 1879 more rapidly than it ever did before. Shall legislators be permitted to retard progress both in profits and wages? The maintenance of the rate of wages depends upon the established credit of the unit of value being unimpaired; on the stability of our unit of value without disorder and without discredit depends the continuance of this vast volume of transactions in which every family

spending from six hundred to seven hundred dollars per year has a special interest to the amount of two thousand dollars' worth of purchases and sales. The unit of value must be maintained to do this work.

The effort to deprave the currency has already caused a check to production and has impaired wages.

It is possible that such an act may pass the Congress of the United States, but upon the instant that the depreciation begins and credit is shaken, or at the very instant when gold goes to a premium of only one per cent., the free coinage of debased dollars will be stopped, whatever party may be in power. The mass of the people will insist that the present standard of value shall be maintained, and the credit of our coined money shall all be at par. They will not submit to use any coin that is worth less than seventy cents as compared to the gold dollar, or its equivalent, in which their wages are now paid.

The masses of the people will not submit to the free coinage of any kind of a dollar of which the metal is not worth as much after it is melted as it purports to be in the coin. The classes who would mislead them for the private benefit of the owners of the silver mines will be swept away like chaff before the cyclone. A tax imposed upon the working people of this country for the benefit and profit of a few capitalists, whose gains are only to be secured by raising the prices and lowering the value of wages, will not be submitted to for a single day after the fraud is exposed.

In conclusion of this branch of the subject, it may be remarked that while the measure of all our transactions, purchases, and sales, may come to forty billion dollars a year ($40,000,000,000), the measure of our exports and imports in 1890 amounted to seventeen hundred million dollars ($1,700,000,000) in 1890. In the last fiscal year,

owing to our excessive exports of food products to meet the scarcity in Europe, exports and imports combined may come to two thousand million dollars ($2,000,000,000) or two billion. If each subject of export and import is dealt in three times, then the volume of transactions corresponding to our foreign traffic would be six billions in a total of forty billions of foreign and domestic trade combined, or fifteen per cent.

The attempt has been made to bring into conspicuous notice the vast volume of our domestic traffic as compared to our foreign trade, yet the advocates of McKinleyism venture to impute the increasing welfare of this country to the obstruction of imports under the McKinley tariff act. It may be admitted that in spite of this obstructive measure the people of this country prosper, but our progress is like that of a strong man into whose boot a McKinley pebble or projecting shoe peg has been driven; it makes him halt and lag behind in the race instead of leading, but does not prevent him from making progress. Foreign debts and armies are greater obstructions to the progress of our competitors, and these may be a greater burden than even a tariff as obstructive as the McKinley tariff act.

It is singular that the very same persons who ask for greater appropriations for improving our rivers and harbors, in order to facilitate the transportation of our goods and wares, and who ask for subsidies and bounties for steamships in order to communicate with foreign countries, and who in every other way attempt to remove the obstructions to commerce, have yet raised an obstruction to foreign commerce higher and higher by the way of prohibitive duties upon the goods which are the only means of payment for our own commodities. Our commerce, however, goes on in a lame and halting way in

spite of measures which often work the very reverse of what was intended by them, as in the case of the duties upon wool, inviting larger imports at higher cost in place of benefiting the domestic wool grower.

It is remarked in Motley's *History of the Netherlands* that throughout their long and bitter struggle with Spain the Dutch maintained free commerce with all the world, raising their revenue by taxes which at one time were said to have taken one-half the product of the country, yet at the end they came out strong and rich, "and while producing not one single grain of wheat they yet ate the whitest bread in Europe."

England has become the great centre of the world's commerce, and London has become the monetary centre and clearing-house of the world, under two conditions: namely, first, the free import and the free export of all commodities that are manufactured or produced, subject only to a tariff for raising a moderate sum from duties upon the import of spirits, wines, liquors, tobacco, spices, and fruits. Second, London has become the monetary centre and clearing-house of the world's transactions because of the superiority and safety of its unit of value. That unit of value consists of the grains of gold which are nominated pound sterling, and which can be delivered in English coined sovereigns only when such coins are of full weight.

Were equal facilities for commerce and equal assurance of the stability of our standard of value granted and given by the United States, the centre both of the world's commerce and of the clearing-house of nations might be transferred to this continent.

So long as the McKinley act remains in force and so long as there is a shadow of doubt as to the stability of our unit of value, this change cannot occur. As the

Dutch, producing not a grain of wheat yet ate the whitest bread in Europe, so the people of the United States may command the gold of the world, even if not a single dollar's worth were produced in our own mines, whenever we will.

The estimates of the revenue from liquors, tobacco, and miscellaneous permanent receipts presented in the early chapters, have been justified by the government receipts for eleven months of the present fiscal year. They will suffice to cover all expenditures except pensions, so far as one can now tell. They may suffice next year if excessive appropriations are not made for rivers and harbors and other purposes which are wholly within the control of Congress, and if the purchase of silver bullion is stopped—not otherwise.

CHAPTER XXVIII.

Taxation by Bad Money.

Since the two foregoing chapters on our monetary system were completed I have received John Henry Norman's book upon *The World's Exchanges*, published by Sampson Low, Marston, & Co., London.

In this work simple rules are given for computing the relative value of all the coins of the world by the relative weight in grains of pure gold or pure silver in each coin. That is manifestly the only true method of determining their value, as the proportion of alloy in each coin varies in different countries.

For instance, the gold dollar of the United States, which is the lawful unit of value, weighs twenty-five and eight-tenths grains ($25\frac{8}{10}$), but it consists of nine parts of pure gold and one part of alloy; the coin is nine-tenths fine, it therefore contains twenty-three and twenty-two-hundredths grains ($23\frac{22}{100}$) of pure gold.

The English pound sterling is a name or definition of the weight of one hundred and thirteen grains and a very small fraction (113.0016) of pure gold. The coin named sovereign, which is the equivalent of the pound when of full weight, consists of 916.667 parts of gold and 83.333 parts of alloy, the coin being seven-eighths fine.

The alloy in the coinage of other countries varies in some cases from either standard, therefore in order to ascertain the relative value of any coin the computation of the value for such comparison must be made by the relative weight of pure metal.

The elements of weight and valuation are inseparable; there is no method of comparing value except by weight,

and no act of any country can change or alter the value of a coin except by adding to or taking off a part of the pure metal.

This computation I have tabulated from Norman's work, and the tables below have been carefully corrected by him.

It would be well that the following tables should be officially verified by the officers of the United States Mint, or that corresponding tables should be given if the computations have already been made. I am not aware that any such tables exist.[1]

Gold coins named in Norman's work, with weight of pure gold in each stated in troy grains, and relative value as compared to the gold dollar of the United States:

	Country.	Name of coin.	Grains of pure gold.	Relative value.
1.	United States	1 Dollar	23.21997	$1.00
	" "	5 Dollars	116.09985	5.00
	" "	10 Dollars	232.19970	10.00
2.	Great Britain	1 Sovereign	113.0016	4.866
3.	France	20 Francs	89.60701	3.859
4.	Germany	20 Marks	110.6268	4.764
5.	Netherlands	10 Guilders	93.45985	4.025
6.	Denmark	20 Crowns	124.45418	5.360
7.	Austria	8 Florins	89.60701	3.859
8.	Russia	5 Roubles	92.57403	3.986
9.	Turkey	1 Pound	102.0804	4.396
10.	Portugal	5 Milreis	125.4425	5.402
11.	Egypt	1 Pound	114.7781	4.943
12.	Mexico	16 Pesos	365.45753	15.739
13.	Cuba	1 Peso	21.5019	.926
14.	Chili	5 Pesos	105.92533	4.562
15.	Brazil	10 Milreis	126.81996	5.461
16.	Peru	10 Sols	224.01753	9.647
17.	Uruguay	5 Pesos	120.0750	5.170
18.	Argentine	5 Dollars	112.00875	4.825
19.	Japan	5 Yen	115.74262	4.984
20.	Philippines	1 Peso	22.83705	.9834
21.	India	15 Rupees	165.0000	7.106
22.	Persia	1 Thoman	52.96536	2.281
23.	Tunis	50 Piastres	135.55776	5.838
24.	Newfoundland	2 Dollars	47.07895	2.027

[1] See tables compiled by Mr. E. O. Leech, Director of the Mint, on pages 236 and 237, which have been recently added.

Silver coins named in Norman's work, with weight of pure silver in each stated in troy grains, and relative value as compared to the silver dollar of the United States of 412½ grains nine-tenths fine, 371.2514 pure ; also their relative value in gold at the present price of silver bullion.

	Country.	Name of coin.	Grains of silver.	Relative value in silver at 16 parts of silver to 1 part of gold.	Value at 30 per cent. discount in ratio to gold.
1.	United States..	Dollar.....	371.2514	$1.00	.70
2.	Great Britain...	Shilling.....	80.72937	.2174	.1522
3.	France.....	Franc.....	69.4455	.18705	.1310
4.	Germany.....	Mark	77.1617	.20784	.1456
5.	Netherlands....	Guilder	145.8357	.3928	.2751
6.	Denmark.....	2 Crowns	185.1882	.4988	.3493
7.	Austria.....	Florin	171.4703	.4618	.3235
8.	Russia.....	Rouble.....	277.7221	.74807	.5240
9.	Turkey.....	20 Piastres	308.1168	.8299	.5910
10.	Portugal.....	5 Testoons	176.8284	.4763	.3337
11.	Egypt.....	Pound	173.6139	.4676	.3276
12.	Mexico.....	Dollar	377.0586	1.0156	.7127
13.	Cuba.....				
14.	Chili.	Dollar or peso	347.2278	.9352	.6551
15.	Brazil	2 Milreis.....	360.7311	.9716	.6805
16.	Peru	Sol	347.2278	.9352	.6551
17.	Uruguay.....	Peso	347.2278	.9352	.6551
18.	Argentine.....	Dollar or peso	347.2278	.9352	.6551
19.	Japan	Yen	374.40	1.0084	.7060
20.	Philippines	Dollar.....	360.5614	.9712	.6804
21.	India	Rupee.....	165.0000	.4444	.3111
22.	Persia.....	Kran.....	63.0316	.1697	.1190
23.	Tunis	Piastre.....	43.0145	.1158	.0813
24.	Newfoundland..	Half dollar ..	168.1871	.4532	.3173
25.	Java.....	Dollar	376.1434	1.0113	.7093
26.	Tripoli.....	Mahbub.....	313.2101	.8434	.6910
27.	Siam	Tical	206.2850	.5556	.3892
28.	Shanghai, China	Trade dollar.	378.0000	1.0182	.7128
29.	China	Tael—weight not a coin.	513.0572	1.3819	.9673

" The above silver equivalents are found by dividing the grams of pure silver in each money of current in the large table of the Guide by 24.0567 grams."—J. H. N.

In making these tables through the aid of Mr. Norman I was not aware that a similar valuation had been made by Mr. Edward O. Leech, Director of the Mint, which is to be found in Johnson's Encyclopædia, edition of 1888, Vol. II., pages 144–146, under the

TABLE OF FOREIGN COINS.

GOLD.

Countries.	Standard.	Denomination of Coins.	Weight, Grains.	Fineness, Thousandths.	Pure gold, contained grains.	Value in U. S. gold coin.
Argentine Republic	Double	Argentine	124.451	900	112.006	$4.82.3
Austria-Hungary	Single Silver	(8 Guldens) 8 Florins	99.561	900	89.605	3.85.9
Bolivia	Single Silver	Onza	385.800	900	347.220	14.95.4
Brazil	Single Gold	20 Milreis	276.695	916⅔	253.637	10.92.3
Bulgaria	Double	Alexander (20 Leii)	99.561	900	89.605	3.85.9
Central American States	Single Silver	Onza or Doubloon coined prior to 1870.	417.590	875	365.390	15.73.6
Costa Rica, Guatemala, Honduras, Nicaragua, Salvador.	"	20 Pesos, coined since 1870	497.806	900	448.025	19.29.5
Chili	Double	Condor	235.384	900	211.845	9.12.3
Colombia	" Silver	Double Condor	497.806	900	448.025	19.29.5
Cuba	" Gold	Doubloon (Isabella)	129.538	900	116.584	5.01.7
Equador	" Silver	Double Condor	497.800	900	448.025	19.29.5
Egypt	" Gold	Eg'y Pound	131.172	875	114.775	4.94.3
Finland	" Gold	20 Markkaa	99.561	900	89.605	3.85.9
German Empire	" Gold	Double Crown (20 marks)	122.915	900	110.623	4.76.4
Great Britain	" Gold	Sovereign	123.270	916⅔	113.000	4.86.65
Hayti	" Gold	10 Gourdes	248.903	900	224.012	9.64.7
India	" Silver	Mohur (15 Rupees)	180.000	916⅔	165.000	7.10.6
Japan	Double (practically Single Silver)	Yen	25.720	900	23.148	.99.7
Latin Union	Double	100 francs	497.806	900	448.025	9.29.5
Belgium (francs)	"	50 francs	248.903	900	24.012	19.64.7
France "	"	20 francs	99.561	900	289.605	.85.9
Greece (drachmas)	"	10 "	49.780	900	44.802	1.92.9
Italy (liras)	"	5 "	24.890	900	22.401	.96.4
Switzerland (frs.)	"					
Mexico	Single Silver	Peso	26.111	875	22.847	.98.4
Netherlands	Double	10 Florins	103.703	900	93.332	4.01.9
Persia	Single Gold (recent)	2 Tomans	87.962	900	79.166	3.40.9
Peru	" Silver	20 Sols	497.806	900⅔	448.025	19.29.5
Portugal	" Gold	Crown (10 Milreis)	273.686	916⅔	250.878	10.80.4
Roumania	Double	20 Leis	99.561	900	89.605	3.85.9
Russia	Single Silver	Imperial (10 Roubles)	199.133	900	179.219	7.71.8
Scandinavian Union	Single Gold	20 Kroner	138.280	900	124.452	5.35.9
Denmark	"	10 Kroner	69.140	900	62.226	2.68.0
Norway	"					
Sweden	"					
Servia	Double	Milan (20 Dinars)	99.561	900	89.605	3.85.9
Spain	"	25 Pesetas	124.451	900	112.006	4.82.3
Tunis	"	100 Piastres	300.924	900	270.831	11.66.4
Turkey	" (practically Gold)	500 Piastres	556.817	916⅔	510.416	21.98.2
Venezuela	Single Silver	100 Bolivars	497.806	900	448.025	19.29.5

ticle "Coinage." From this table compiled by Mr. Leech, con-
nsed tables have been prepared, which are given below, giving
e value, as estimated by him, of the principal coins mentioned
Mr. Norman, in which some slight variations may be found
om the previous tables, and some further valuations are added.

TABLE OF FOREIGN COINS.

Silver.

Countries.	Denomination of Coin.	Weight, grains.	Fineness, Thousandths.	Pure silver, contained, grains.	Value compared with silver in U. S. silver dollar.
entine Republic	Peso	385.800	900	347.220	$0.935
tria-Hungary	Gulden (florin)	190.517	900	171.465	.462
via	Boliviano	385.800	900	347.220	.935
zil	2 Milreis	393.516	916⅔	360.723	.972
garia	2 Leii	154.323	835	128.857	.347
tral American States	Peso	385.800	900	347.220	.935
Costa Rica, Guatemala, Honduras, Nicaragua, Salvador	½ Peso	96.450	900	86.805	.234
	½ Peso	192.900	900	173.610	.468
	Dime	38.580	835	32.214	.087
	½ Dime	19.290	835	16.107	.043
li	Peso	385.800	900	347.220	.935
ombia	Peso	385.800	900	347.220	.935
a					
ador	Sucre	385.800	900	347.220	.935
pt	20 Piastres	432.096	833⅓	360.080	.970
land	2 Markkaa	159.952	868	138.836	.374
man Empire	5 Marks	428.666	900	385.800	1.039
at Britain	Florin	174.535	925	161.445	.435
ti	Gourde	385.800	900	347.220	.935
ia	Rupee	180.000	916⅔	165.000	.444
an	5 Sen	20.800	900	18.720	.051
in Union	5 Francs	385.800	900	347.220	.935
Belgium (francs)	2 "	154.323	835	128.857	.347
France "	1 "	77.160	835	64.428	.174
Greece (drachmas)	50 Centimes	38.580	835	32.214	.087
Italy (liras)	20 "	15.432	835	12.886	.035
Switzerland (francs)					
ico	5 Centavo	20.889	902.7	18.859	.051
herlands	Florin	154.323	945	145.832	.393
sia					
u	Sol	385.800	900	347.220	.935
tugal	500 Reis	192.900	916⅔	176.825	.476
mania	5 Leii	385.800	900	347.220	.935
ssia	Rouble (prior to 1886)	319.920	868.05	277.706	.748
ndinavian Union	2 Crowns	231.480	800	185.184	.499
Denmark					
Norway					
Sweden					
via	5 Dinars	385.800	900	347.220	.935
in	5 Pesetas	385.800	900	347.220	.935
nis					
rkey	20 Piastres	371.216	830	308.104	.830
nezuela	5 Bolivars	385.800	900	347.220	.935

There are 480 grains in a troy ounce. There are 371.2514 grains of silver in a silver dollar. Therefore, in order that a silver dollar may be worth as much after it is melted as it purports to be worth in the coined dollar, the price of bullion in New York must be a fraction over $1.29 per ounce. Fine silver bars are now worth 88 to 90 cents per ounce. In other words, they are at a discount of thirty per cent., and the true value of the silver dollar at the present standard is substantially seventy cents; it has recently been worth less.

The prices of all our principal products are now on a gold basis. We get one hundred cents' worth of gold or its equivalent for each dollar's worth of cotton, corn, wheat, pork, butter, or other goods that we export; our whole internal traffic is on the same basis and is measured at the same standard.

The rates of wages and the incomes of all our people are now on a gold basis, liquidated in money worth one hundred cents on each dollar.

The only effect of debasing our standard to silver worth seventy cents on a dollar will be to lower wages by destroying credit.

The advocates of the free coinage of silver dollars of full legal tender have the audacity to say that an act for the free coinage of silver will bring the silver bullion and the silver coin of the world up to par in gold. They undertake to say that the United States can raise the value of silver from seventy cents, where it now is, to one hundred cents in gold, an advance of a fraction less than forty-three per cent. This claim only needs to be stated in order that its absurdity may be made conspicuous. The power of the United States to promote the circulation of silver certificates convertible into gold is already exhausted. Silver bullion is now uselessly piling

up in the Treasury at the cost of the tax-payers of this country.

The people of this country are now paying a tax in gold of $4,000,000 per month, or $48,000,000 a year, for the purchase of silver bullion that nobody wants to use as money either in coin or in certificates.

When the legal-tender notes of the United States first depreciated, the depreciation being shown by what was called the premium on gold, gold vanished from circulation and was hoarded or exported on the very day the premium reached even one per cent. When the so-called premium on gold reached a little higher rate, so that our subsidiary silver coin became worth more than the paper currency, the whole of our silver coin vanished and was seen no more for many years. As we moved on in 1878 toward resumption on a gold basis, January 1, 1879, the silver coin first re-appeared and the gold next came back into the vaults of the Treasury and of the banks. No one could trace the silver and only a part of the gold in the statistics of the export and import of the precious metals.

A difference of a fraction of one per cent. turns the tide of gold from one country to another. What would be the effect on silver when we offer to coin it at forty per cent. profit?

Our gold coin can be converted into sovereigns at the rate of $4.8666 to one sovereign. The sovereign is the coin which corresponds to the pound sterling, the pound sterling is the standard of international commerce. If the free coinage of silver dollars of full legal tender were granted, any foreign banker could now purchase silver enough to make $4.86 for less than three dollars and a half in gold. This conversion would be at work at once. These dollars would then be paid out in this country as a full legal tender on all contracts for cotton, wheat, pro-

visions, and other goods. Gold would be drawn out from the Treasury and from our banks to be shipped to England. The shock to credit would stop trade, except for daily necessities of life. The bankers who deal in exchange would make immense profits on the import and conversion of silver into dollars, and the stupid people would suffer the cost. People are slow, but not so stupid as they seem. This nefarious act cannot be done.

The advocates of the free coinage of silver dollars of full legal tender at the present time are trying to induce the people of this country to offer one hundred cents' worth of gold, or of our cotton, grain, meats, provisions, oil, and other products now worth one hundred cents in gold at present prices, for the whole volume of silver coin or bullion in the world which is now worth but seventy cents in gold. This would give forty per cent. profit to the dealers in silver bullion.

The figures which I have given prove this, and no man capable of reasoning can deny it. It is beyond the power of the silver Senators and Representatives to disprove this statement.

The Republican Senators and Representatives of the silver-mining States now demand that the West and the South shall take seventy cents' worth of silver instead of one hundred cents' worth of gold for their cotton and their grain in order to enable the silver miners to sell their little petty product of silver for more than it is worth. The Democratic Senators of the South and West with few exceptions have nibbled at this bait, but the trap has not yet been sprung.

The trick is exposed, and the masses of the people who would pay the terrible cost of this nefarious measure have warned their representatives that this fraud must not be put upon them.

No coined money is true money and no coined standard can be a true standard or unit of value of which the bullion is not worth as much after it is melted as it purports to be worth in the coin.

The silver dollar of the present standard is bad money; it is a false standard because it does not meet these conditions. Its coinage must cease and the purchase of silver bullion must be stopped. This verdict has been rendered, and either this or the next Congress will enforce the decision by suitable legislation.

The Bland act and the McKinley act have been alike condemned,—neither has any intellectual standing nor any intelligent support. Both are marked alike by a perversion of the power of taxation to purposes of private gain in total disregard of the public welfare.

CHAPTER XXIX.

How to Maintain Silver Equal to Gold.

I had intended to close this series with Chapter XXVIII.; but I venture to add number XXIX., for the purpose of submitting a suggestion made by Mr. Chauncey Smith, whose close study of these subjects gives great weight to his conclusions. Chapters XXX. and XXXI., concluding this series, will summarize our present position on the tariff question.

It is admitted by all the advocates of the bi-metallic theory, and even by all the advocates of the free coinage of silver of full legal tender who are not themselves personally interested in silver mining, that the only element which is absolutely necessary to the unit of value or standard of lawful money by which all contracts are liquidated is stability or uniformity of valuation year by year, decade by decade, and, so far as it is within the power of human foresight, to assure it, generation by generation.

It is urged, and indeed it is believed by many persons, that gold has become relatively scarce and has appreciated. It is therefore held to be insufficient in quantity to meet the conditions of a lawful standard or unit of value. It is held that silver must be coined, and must be kept at a parity with gold, in order that there may be a sufficient quantity of coined money both of gold and silver to meet the demands of the world for the use of coin. The main problem is how to maintain the parity of silver with gold

and how to keep it in circulation without incurring the danger of demonetizing gold and throwing the whole work upon silver only. It may have remained for my sagacious friend to solve this question in a very simple manner, one which would be manifestly right and just and to which no one can take exception whose purpose is *not* to depreciate the standard or unit of value or to force the country upon a single silver standard.

The purpose is to enable the people of this country to avail themselves of our production of silver as well as of gold, to convert that silver into coin, and to maintain that coin at par with gold.

There may be one very simple, certain, and effective method of doing this, for which we have an example in the experience of our country.

The surest way to keep the valuation or estimation of any given article above what it would otherwise be, is to add to its cost to the consumer by taxation. If the tax is one that cannot be evaded, if it is assessed at a moderate rate, so as not to promote fraud, and if it is levied both upon the import and the domestic production, it will eventually raise the cost and therefore the valuation of that specific article in the community that consumes it. We have an example in the present price of spirituous liquors, of which both the import and the domestic product are taxed. When the tax was first imposed at two dollars per gallon it was evaded; when it was reduced it was collected, and presently it was advanced a little from the lowest rate at which it stood for some time.

Tobacco is another example of an article of which both the import and product are taxed, to the end that so far as the consumers are concerned the tax is added to the cost to the consumer and the price is based upon the cost of production, the profits to the producer, and the tax.

Liquors and tobacco now yield a revenue equal to the entire normal cost of the government, aside from the interest on the national debt, the bounties to the sugar planters, and the pensions, and that revenue is paid by consumers in the higher price and valuation due to taxation.

The question put by Mr. Smith is: "*Why should not silver be taxed in the same way?*" The standard by which silver bullion is bought and sold is its valuation in gold; the effort of legislation, sustained by both parties at the present time, is to maintain the parity of our silver coinage with our gold coinage. On the other hand, the price of silver bullion is thirty per cent. less than the nominal value of the silver in the dollar when it is converted by coinage into silver dollars. The price being quoted in cents, the gold dollar contains one hundred cents' worth of pure gold; the silver dollar contains seventy cents' worth. These silver dollars have been maintained at a parity with gold coin down to the present time by limiting the quantity coined, and because they can be directly or indirectly converted into gold dollars through the United States Treasury.

The free coinage of silver dollars of full legal tender without taxation would imperil the present standard or unit of value, and would, in the course of time, prevent the maintenance of the parity of our silver coin with our gold coin; gold would then be demonetized and our currency would be contracted to a silver standard, thus destroying credit, bringing about a cessation or paralysis of trade and lowering rates of wages.

In the long distant future the country would, of course, adjust itself to the single silver standard; wholesale prices in silver would rise rapidly, retail prices would follow slowly after stocks had become exhausted, but wages would remain depressed for a very long period and until

full confidence and enterprise had been restored so far as they might be on a single fluctuating silver standard.

This danger may be wholly avoided if there is merit in the suggestion offered by Mr. Smith; to wit, *to tax both the import and product of silver in a sum that would represent the exact difference between the value of silver bullion in its ratio to gold.*

This method, if it could be framed in practical legislation, would be beneficial to all parties. Only that proportion of silver ore would be taken out of the ground to be smelted and converted into coin that would be required for use in that form at the cost of production with the tax added. Of course, other supplies of ore or of silver bullion would be required for use in the arts, but so far as the monetary use of silver in our country is concerned the supply would be limited to the demand that would ensue for bullion at cost subject to the tax.

If it were proved by the offer of free coinage of taxed silver that there was no deficiency of gold and that silver coin under these conditions was not required, then the silver ore would remain as a reserve store in the ground to meet future needs and to be drawn upon only so fast as it might be required for use in the arts. If free coinage raised the price, then the tax would be correspondingly reduced.

It may be objected that there is a large foreign demand for silver at the present low cost of production and low price. That demand, however, may be very easily met by a drawback of ninety-nine per cent. on the tax or duty if any silver had been imported; in this respect copying the provisions of the law upon tin-plates upon which a drawback is allowed upon exports; silver bullion mined within our own limits could also be exported in bond free of taxation, as whiskey is.

In this way our mines would continue to be worked for the full supply of all the silver that the world requires, while the danger of imperilling the stability of our own currency would be avoided by keeping the domestic price of bullion always at a certain ratio to gold by varying the price according to the price of untaxed bullion.

It may be objected that the price of silver varies, but in dealing with other questions the country has become habituated to granting discretion to the Secretary of the Treasury. Under the present law the only imperative rule is that he shall buy so many ounces of silver bullion each month without regard to the price; this leaves to his discretion all negotiations for fixing the price at the time of each purchase.

A tax might be imposed on silver subject to variation, month by month, according to the market price of silver bullion. A very simple computation could be made at the beginning of each month for an adjustment of the tax to the exact difference between the market price of the bullion and the unit of value which it is the intention to maintain unimpaired.

This would be a perfectly suitable, effective, and just method of maintaining the parity of silver and gold in our currency; it would prevent the waste of silver ore from our mines, while at the same time enabling the owners of the mines to supply all other nations free from taxation.

In the matter of the adjustment of the rate of taxation we all have an example in the present tariff of duties on other imports than those of silver. The declared purpose of the present tariff and the declared purpose of the Republican party is to put exactly that measure of taxation upon foreign imports that will represent the difference in the labor cost of each product in other countries as compared to the labor cost of the same commodity in this

country. That, indeed, is a very complex matter, but Congress has undertaken it.

Where it would be impossible to vary a tax according to the cost of silver, the tax may be readily adjusted according to the price. No one knows what the labor cost of the production of silver is except those who work the mines and smelting works, and they keep their own councils.

It varies, of course, from a low cost to a cost very much above its gold value. But the *price* of silver bullion can be determined every day, and it would be wholly within the power of the government to vary the tax every day if that were expedient. It would be sufficient, however, to vary it only once for a considerable period, for the reason that if the price of bullion should rise, then the tax would fall, and then silver that had been coined at a higher cost under the imposition of a higher tax would be worth more than its face value, and would disappear from circulation, as our silver dollars disappeared from circulation prior to 1873, because they were worth more as bullion than as coin.

In fact this provision, if carried out, would bring into effect a perfectly simple method of maintaining the parity of silver and gold in our coinage without enabling the owners of the silver mines to put their product upon the government for more than it is worth. It offers a method of coining money and regulating the value thereof consistently with the terms of the Constitution, to which no exception can be taken except by those who desire to deprave our monetary system for nefarious or purely selfish purposes.

The very simplicity of this suggestion will carry conviction of its being a true method to all persons who do not want to run the risk of depreciating the unit of value

either in order to sell silver for more than it is worth or in order to pay debts for less than the amount agreed. For example, in order that the silver bullion in the silver dollar of the present standard shall be equal in value to what it purports to be in the dollar, the market price of fine silver must be one dollar and twenty-nine cents per ounce. In other words, in order that the silver dollar may be worth as much after it is melted as it purports to be worth in the coin, the fine silver in it must sell at a fraction over one dollar and twenty-nine cents per ounce.

We will assume that on a given day after the enactment of the law under which the Secretary of the Treasury is to determine what the rate of the tax will be for a given period, the value of the silver bullion free from tax is eighty-nine cents per ounce. The difference between that and a valuation which keeps it at a parity with gold, to wit, one dollar and twenty-nine cents, is forty cents per ounce. Divide eighty-nine into forty, and we have the true ratio of the tax, namely, forty-five per cent.; 89 cents + 45 per cent. = $1.29 per ounce.

We will assume that the coinage is free, and that any owner of a silver mine may bring bullion to be coined; we do not ask him what it may have cost him; he is offered free coinage into dollars with which he can pay his debts and his wages subject to the true rate of taxation. The bullion worth eighty-nine cents per ounce is subjected to a tax of forty-five per cent., which he pays; that is to say, forty-five per cent. of eighty-nine cents is forty cents; this tax forms a part of the cost of silver dollars, as all taxes are customarily added to the price. The addition of the tax carries the price or valuation of the bullion up to one dollar and twenty-nine cents per ounce. That is exactly where it *should* be in order to maintain the parity of the silver dollar with the gold dollar.

No injustice is done to any one; the government gets a revenue, coinage is free, the unit of value is maintained, and if silver is to be exported, it is exported under a drawback, which will enable the owners to secure its full bullion value in all other markets without bringing disaster or disorder into the monetary system of his own country.

This suggestion may perhaps be rightly acted upon while the subject of the free coinage of silver is pending, even in the present Congress.

CHAPTER XXX.

The Issue Joined.

Since the last chapter upon Taxation and Work was written, the nominating convention of the Democratic party has been held. The division upon the silver question is *not* a party division. The advocates of the free coinage of silver without the concurrent action of foreign nations are only a small faction in each party, and their day of temporary influence has gone from them. The purchase of silver bullion under present acts will doubtless be stopped in the second session of the present Congress by the repeal or amendment of what is known as the Sherman bill. This purchase of bullion is not sustained by Senator Sherman himself or by many of his associates on the Republican side, nor will it be sustained by the Democrats.

The main issue in the ensuing election is the tariff question. The logic of events has compelled the nominating convention of each party to take a position upon this question which it is not probable that any large number of the members of either party would have taken had a free choice been left to them.

The enactment of the McKinley Tariff bill committed the Republican party to the policy of "Protection with incidental revenue" against the judgment of its best-informed members. This act was framed under the direction of its sponsor, Mr. Wm. McKinley, Jr., consist-

ently with his theory of the purpose of a tariff, which is to secure "Protection with incidental revenue." When the Republican party first subjected itself to the demands of the representatives of special branches of industry for the enactment of special schedules framed for the purpose of excluding foreign fabrics of the kinds made by themselves, by putting constantly increasing duties upon them without regard to revenue, the party placed itself under the necessity of continuing upon that line of policy to the end. It deprived itself of free choice, because to yield at any point would be to give up the fundamental idea upon which the McKinley act is based. The framers of the Republican platform had no choice in the matter, although this dogma of prohibition of imports for the benefit of certain classes is offensive to the largest and most intelligent portion of the members of the party. The declaration in the Republican platform is as follows: "*We maintain that the prosperous condition of our country is largely due to the wise revenue legislation of the Republican Congress. We believe that all articles that cannot be produced in the United States, except luxuries, should be admitted free of duty, and that on all imports coming into competition with the products of American labor there should be levied duties equal to the difference between wages abroad and at home.*"

It will be observed that the question of revenue is wholly ignored in this declaration. Articles which in the judgment of Congress cannot be produced to advantage in this country, except luxuries, are to be admitted free of duty. Articles which in the judgment of Congress can be produced to advantage in this country are to be subjected to such high rates of duty as to stop the import. Articles like sugar, which could be produced in this country, but which Congress has chosen to make

free of duty, are to be made the subjects of a bounty at the cost of the tax-payers.

The enforcement of this policy would lead to the necessity of direct taxation or to the imposition of an income tax, in order to secure the necessary revenue which may not be derived from the excise taxes on liquors and tobacco.

I have shown that if the policy advocated in these terms were actually applied to the framing of a tariff measure, that measure would bring about a greater reduction in the rates of duties that are imposed now under the McKinley act than has yet been proposed by any Democrat, because, in point of fact, there is not a duty imposed under the McKinley act on any article of any considerable importance which is not very much greater than the difference between wages at home and abroad, even if the cost of labor corresponded to that difference in the rate of wages, which it does not. The very form of this resolution proves conclusively that the McKinley version of the protective policy is intellectually dead. No person of ordinary intelligence who possesses even a superficial knowledge of the facts governing the production of the goods which are imported in the crude or partly manufactured condition, or of the useful fabrics which constitute the larger part of the finished manufactures, would have ventured to frame a resolution which can be so completely turned against the intention of those who framed it. Nine-tenths or more of all the articles consumed in this country are made at less cost for labor than in any other country, whatever the rates of wages may be. A very large portion of the imports from other countries come from countries which possess advantages in other respects than the cost of labor; hence although their rates of wages may be lower and their labor cost

may be more or may be less than it is with us, yet there is an advantage to them in selling their products to us, and there is an advantage to us in buying them.

Only persons who are wholly ignorant of the facts which govern commerce could have been imposed upon by the representatives of wool, pig-iron, and silver, who make use of the Republican party in order to secure special legislation at the cost of the masses for the benefit of the classes, in whose interest such resolutions and such acts as the McKinley tariff have been framed.

It is *not*, however, the purpose of the framers of this resolution to make any reduction in the tariff corresponding to its true construction, nor would they admit that this plank in the platform is subject to the construction that I have given it. We must look to the more intelligent and thinking portion of the Republican party to find out what its leaders really mean.

The party has committed itself through the law officers of the Republican administration to a specific declaration of its purposes. It has given a clear and definite meaning to the policy which it advocates under the name of "The Principle of Protection."

At the risk of repetition we must again refer to the briefs which were submitted to the Supreme Court of the United States in support of the McKinley tariff and of the bounty to the sugar-planters incorporated in the terms of that act. The official construction of the act and the declaration of the real purpose of the party are given in terms that admit of no evasion, by able advocates fully conscious of the necessity of presenting their case in the clearest and plainest terms.

The following extracts from these briefs submitted by Hon. W. H. H. Miller, Attorney-General of the United States and by Hon. William H. Taft, Solicitor-General,

should be substituted for the plank in the Republican platform in every discussion in the ensuing campaign. In fact, this entire brief in full should be reprinted for the information of the voters. The following extracts give the gist of the arguments:

"The sugar-bounty clause was for the purpose of encouraging the production of raw sugar in this country. . . .

"The sugar bounty is to be paid from the Treasury of the United States, and, therefore, out of the general revenues of which the collections under this act will form a large part. . . ."

Referring to the increase of duties on silks, woollens, and cottons, it is held in this brief that

"The increase of the duties on those articles was not made for the purpose of increasing the revenue. The higher rates were imposed to give a better protection to the manufacture of such merchandise in this country. They were made with a view to decrease the importations, and with the prospect that the revenues would be thereby reduced. . . .

"It may be conceded that the bounty must be paid out of the Treasury of the United States from funds raised by taxation, and therefore that, unless Congress has power to levy a tax for the purpose of paying the bounty, an appropriation for a bounty is beyond its power. . . ."

After citing certain authorities, it is held as follows:

"Congress has power, therefore, to levy duties for the purpose of providing for the general welfare of the United States. Is the provision for the payment of bounty to sugar producers, above set forth, 'for the general welfare'? Appellants' counsel contend that it is not, because it is primarily for the aid of private individuals and only remotely for a public purpose, and therefore not for the general welfare."

"It has been held in a number of cases, upon which appellants' counsel rely, both in this court and in the courts of the various States, that taxation must be for a public purpose, and therefore that, where it is proposed by a municipal corporation to pay money or lend credit to a private individual or company as an inducement to the construction of works within the limits of the municipal corporation, the remote consequences of benefit to the people of that corporation are not sufficient to make the purpose of the donation a public one, and laws authorizing the same are void. The leading case upon

this subject is Loan Association *versus* Topeka (20 Wall., 655), where it was held that bonds issued by a city to pay a bonus to a manufacturing corporation to build its plant within that city were invalid and beyond the power of that city, even though expressly authorized by the legislature. Other cases to the same effect are numerous."

Reference being made to the other cases, the argument in this brief proceeds as follows:

"The foregoing do not include all the cases on the subject, but they are sufficient to show the principle which the appellants here invoke to invalidate the bounty clause under consideration. We respectfully submit that they have no application to this controversy. It is obvious that the establishment of a particular industry in one place by a bonus to specified private individuals is a very different object for taxation than the encouragement by the National Government of a widespread industry in many quarters of the Union for national purposes, with a view to diversifying the industries of the country and making it independent of other countries for necessities. . . ."

"The principle was laid down in the case of Lowell *vs.* Boston, *supra*, that a purpose was not a public purpose because, by affecting the private interest of a great many individuals, it would ultimately affect the public weal. With respect to municipalities and States, that can have no international relations, this is undoubtedly true, but the subject assumes a very different aspect when treated from the standpoint of the collective industries of a nation in competition with and in relation to the industries of other nations. . . . Such national action is required to offset the encouragement of the same industries in other countries, lest thereby we may be made altogether dependent for the supply of a necessity upon countries thus far removed."

Citing Chief-Justice Marshall's decision in the case of McCullough *vs.* the State of Maryland, where the power of Congress to incorporate a bank was under discussion, the argument of the officers of the government proceeded as follows:

"The principle thus established necessarily justifies bounties, for, in the beginning of the operation of a protective tariff, the amount of duty levied is a bounty to the domestic manufacturer and it is with a view to such a benefit for him that it is levied. The sugar duties have always had the effect of a bounty to domestic sugar producers. . . . The question of

the validity of bounties is therefore as old as that of a protective tariff and has been answered in the same way by constant legislative and executive action, in accordance with the views of that ablest of statesmen and jurists who penned the Report on Manufactures. . . . If a century's construction of the Constitution by Congress is binding on the courts, then the question of the power to tax for a bounty to particular industries is no longer an open one. . . .

"A course of legislation and an acquiescence of the people as old as the nation itself has sanctioned both direct and indirect bounties for the encouragement of those industries which are closely allied with national growth and national independence, as a public purpose and as within the power of Congress. . . .

"We have been discussing heretofore the validity of the bounty features of the sugar clause on the theory that provision of this sort was for the general welfare. There is another ground upon which it can be supported. All the authorities agree that the government may recognize a moral obligation to any class of citizens by direct appropriation, though the claim is not based on strictly legal grounds. . . .

"Here was a case where citizens, by reason of heavy sugar duties which had existed for many years had been induced to make large investments in the plant required for the production of sugars; and now it was proposed by Congress to remove the duties because the revenue which they produced was more than sufficient for the use of the government. The removal of duties would absolutely destroy fifty or sixty million dollars' worth of property invested in this industry and protected by the duties. To enable persons whose property would be thus injuriously affected to prepare for the change, the government was under a moral obligation to reimburse them for their loss or to permit them by a bounty to continue the business until such time as the business might be self-sustaining."

In this declaration of the law officers of the Republican Administration all the rubbish is swept away about putting our taxes upon others,—every assertion that the tariff is not a tax,—and every suggestion that its purpose is not to create a bounty for favored classes out of the proceeds of taxation paid by the masses. The power of Congress is declared to be supreme, and the power of the Supreme Court to reverse its decision in the matter is denied.

Such being the position in which the logic of the case

has placed the Republican party, we may now consider the position of their opponents. The Committee on Resolutions of the Democratic party first framed such a definition of a tariff policy as it was thought judicious for the party to put into its platform, but the convention itself chose to put aside all consideration of mere policy and plant itself upon the principle upon which the Democratic party now stands. Perhaps a majority of the convention would not have committed themselves so absolutely, except under the excitement and enthusiasm of the moment, and they may have "builded better than they knew." This declaration of a Democratic principle is stated in the following plain terms:

"We declare it to be a fundamental principle of the Democratic party that the Federal government has no constitutional power to enforce and collect tariff duties except for the purpose of revenue only, and demand that the collection of such taxes shall be limited to the necessities of the government, and honestly and economically administered."

The issue is joined. The position of the Republican party, through its law officers, has made it evident that the so-called "principle of Protection" is a policy for taxing the many for the benefit of the few. The Democratic party denounces this assertion of power, and plants itself upon the principle that all taxes that the people pay the government shall receive, and that no moneys shall be expended except for the support of the government, economically administered.

The Republican party denies that the rule of law laid down before the Supreme Court by Justice Miller should control the National as well as the State legislatures. Justice Miller gave his ruling in the following terms: "To lay with one hand the power of the government on the

property of the citizen, and with the other to bestow it upon favored individuals to aid enterprises and build up private fortunes, is none the less robbery because it is done under the forms of law and is called taxation. This is not legislation. It is a decree under legislative forms."

The real point at issue is the question whether or not the Congress of the United States possesses a limited and delegated power, or whether it is so supreme that even the highest court of the land must submit to its decrees without regard to the merits of any question that may be brought before it. The Republican party declares that the plain rule as laid down by Justice Miller in Loan Association *vs.* Topeka has no binding force. The Democratic party declares that it is binding upon every legislature, including the Congress of the United States.

The Republican party, through its law officers, holds that Congress may grant bounties at the expense of its tax-payers to favored branches of industry, and that when the owners of capital have invested their money in that industry, they thereby secure a vested interest in the proceeds of taxation, and that the Congress of the United States is thereafter "under a moral obligation" to tax the people for the support of such private citizens or private corporations until the business that they have undertaken becomes self-sustaining.

The Supreme Court did not rule upon this question in the McKinley cases. It was not brought directly before the court, and the court passed it by. The case is now removed from the court to the adjudication of the people of the United States. History repeats itself. The position of the Republican party now corresponds to that of the Whig party in the ante-war period, a party which was endowed with good intentions, but was without convictions. As the Whig party destroyed itself by attempting

to compromise with slavery, so may its prototype destroy itself by its readiness to compromise the monetary safety of the country and the interests of the mass of the people for the sake of continuance in power.

The Democratic party of to-day finds its prototype in the Republican party, as that party was when it was first organized, a party devoted to principles. The Democratic party has been forced by the logic of events to ignore the partisans who have tried to control it; it has become in a true sense the party of the people, the exponent of equal rights, and it has planted itself upon a principle which is impregnable.

Between the two have stood the Independents, whose prototypes may be found in the Free Soil party of the ante-war period, a party that never elected a candidate to any high office and which was represented in Congress by a few members only; but they were men whose courage and convictions gave them a dominant power in inverse proportion to their number, such as the Independent members of the present Congress have exercised.

The issue is joined. Taxation and Work are names for the same thing; each voter will soon be called upon to decide for what principle and for what party he will work and vote.

The manifest tendency of right-minded and reasonable men of both parties in the present Congress has been to take the question of the currency out from party politics. This power may soon be exerted so as to take the tariff question out from party politics, so that during the second session of the present Congress a reform of the tariff may be brought about in a way that will harm none, but which will do justice to all by establishing true protection to domestic industry through the exemption from unnecessary taxation of all the materials which are required in the pro-

cesses of our own domestic industry, coupled with duties for revenue on finished products, so adjusted as not to exceed the difference in wages at home and abroad.

Unless this coalition and compromise are made in the present Congress at its second session, so as to prevent the tariff becoming the football of mere politicians, there will be great danger of radical and revolutionary changes in our policy which will provoke a reaction and endanger the steady progress of a true reform of our whole fiscal system.

CHAPTER XXXI.

Personal Observations—Conclusion.

It may not be considered egotism if in this concluding number of the series of thirty-one essays upon "Taxation and Work" I should state the reasons why I have put the data in this form, while I may at the same time give the motive of the whole series. In one respect and perhaps only one, the methods of the British administration and Parliament are better than our own. The questions which are brought before Parliament are of two kinds; first, measures by which a given administration will stand or fall and upon which divisions will be surely made upon party lines. Second, measures which are not distinctly party measures, but which Her Majesty's opposition shares with Her Majesty's administration in perfecting. In many cases measures of the second class are subject to parliamentary investigation by special committees, of which the members are selected purely with regard to their assumed knowledge of the subject and with very little regard to party lines. Reports of such committees have become historic for the exhaustive thoroughness with which the work has been done.

A beginning has been made by the present Senate of the United States in the conduct of an exhaustive examination of this kind. Every one who has become conversant with the methods that have been adopted by the members of the Finance Committee of the Senate in the

investigation of prices and wages during the last half century and the influence of tariff legislation thereon, will wait for that Report with full assurance that through the combined action of the members of that committee of both political parties an exhaustive and impartial statement will be made.

It has become my good or ill fortune to obtain such a measure of authority in the investigation of financial questions as to have been called upon very many times during the last twenty-five years to give statements of facts, figures, and conclusions to the leading men of both political parties in the House and Senate and in executive office; I have also been subject to a wide correspondence, of which the requirements are somewhat difficult to meet. I have seldom been called upon to change a statistical statement or to alter a conclusion, and I believe that I have been quoted as authority as often by the advocates of high tariff Protection as I have been by the representatives of tariff reform or Free Trade.

The methods of the representatives of either party in this country, with a few conspicuous exceptions, are as bad as the English methods are good, keeping in view the search for the truth. Whatever statement, or judgment, or conclusion is submitted on the one side is usually met by a denial and an attempt at refutation on the other. Silly charges are bandied about by both sides. A lot of rubbish about the Cobden Club, the Home Market Club, British Gold, and Protective Greed is sure to appear whenever the subject comes up in the greater number of the party papers, and as surely as this vituperative method appears, as surely are the opinions or conclusions of that newspaper worthless. Men are held up to personal obloquy, charged with merely selfish interests, and abused roundly by all the party press on one day; if they then

have the fortune to die suddenly, on the next day before the discussion is ended the same papers that had charged them with being bribed with British gold, or with seeking to rob their neighbors by the perversion of the powers of taxation, will hold them up as excellent examples of reputable citizens or legislators who had undoubtedly been a little mistaken in the direction of their work but had never failed in conscientious devotion to the duty with which they had been charged. The praise may be often as much misplaced as the blame had been.

Fortunately there are conspicuous exceptions to these foolish practices. Reference is often made to previous debates in the time of Clay, Webster, Calhoun, Benton, and other party leaders of old time. The writer has followed the tariff and currency debate of that period in the books and of the last few years in the *Congressional Record*. He must bear witness to a conclusion which will not be generally accepted, namely, that for sincerity of purpose, mastery of detail and logical conclusions from the premises upon which the arguments have been based, the debates of the last five or six years on either side have been as far in advance of those of a former time as the statistical data and general information in regard to our industrial conditions now exceed what were available in any former period.

It would be invidious to mention names, but it is a pity that some method should not be devised for establishing a judicial board of publication so that real discussions, the genuine arguments and the impartial statements that form the lesser part of the *Congressional Record*, might be separated from the set speeches prepared in the committee rooms which are apt to be addressed much more to the constituency or to the partisans of each side than with any expectation of influence in the pending discussion in Congress.

The same bad methods have affected private organizations on either side of the tariff question. Nearly twenty years ago the writer left the Free-Trade clubs and organizations, which were then active, simply for the reason that their methods were unjust and bad. They imputed the most selfish and corrupt motives to those who supported the policy of Protection; while, on the other hand, the advocates on the Protective side seemed to lose all sense of right and reason in their comments upon the advocates of Free Trade.

Under the influence of this bad method of dealing with what is purely a business question, each side has come to distrust the other so as to prevent any co-operation in removing defects, both in the tariff itself and in its administration, which are admitted by all and might be remedied if the opposition party in our Congress could be guided by the same sound judgment that is exercised by Her Majesty's opposition in the British Parliament, whether Liberal or Tory.

In the foregoing series the writer has endeavored to put the case of Protection *versus* Free Trade, and of Free Trade *versus* Protection upon its merits; he has attempted to deal with it both on the ground of principle and of policy; he has given the reasons why there is no distinct principle or "rule of action governing human beings" upon which a high tariff can be justified; he has also given reasons why Free Trade although founded upon a principle, that is to say, upon a rule of action governing human beings when their conduct is not altered, changed, or directed by statute law, must yet, at present, be dealt with as a policy in practice. He has also given reasons why the rule of action which would govern legislation if there were no need of a revenue from customs or duties upon imports has been and must be modified by that fact.

Therefore, the question of Free Trade as well as Protection now becomes a matter of policy rather than one of principle. This leads to a similar conclusion which must govern the action of both parties; to wit, in framing measures for the collection of revenue from the duties upon imports such discrimination must be exercised as will most certainly promote domestic industry and protect home labor.

That conception of a true policy being established the only question remaining open is simply this: Will Protection be most fully assured by exempting materials of foreign origin from taxation and promoting the interdependence of states and nations, or by taxing such material and stopping commerce? Shall we more surely promote domestic industry and protect home labor by isolating this nation from others and attempting to establish what is called "national industrial independence" in place of international interdependence? One does not like to use such long words; in the vernacular, Will a State be bettered by attempting to support itself wholly, or will it do better by exchanging products with other countries for mutual benefit?

In dealing with the case from the latter point of view, so far as I have presented the facts I shall probably have furnished arguments for both parties in future controversies as I have in the past.

When I have borne witness to the fact that this country is more prosperous than any other, and has prospered more in the last twenty-five years than ever before, I shall have furnished even the advocates of the McKinley act with an argument on which they will attempt to sustain that measure, which is so obnoxious to myself.

When I have stated that the obnoxious provisions of the McKinley act for raising a revenue of about fourteen

million dollars a year by taxation on crude materials of foreign origin which are necessary to our domestic industry have cost this country fifty-fold the amount of revenue that is received by the government, or seven hundred millions, in a single year, I shall have furnished an argument with which the advocate of tariff reduction will prove his case on irrefutable evidence.

When I have declared and attempted to prove that the tariff has been one of the minor forces in its effect upon the direction of labor or investment of capital in this country, I shall have disappointed the advocate of Free Trade, and may have taken from him what seems to be a potent argument.

On the other hand, when I have attempted to prove that the obstruction of the means of payment with which foreign nations buy the excess of our farm products is injurious in the extreme, I shall have furnished the advocate of Tariff Reform with most potent reasons for making a change.

When I have said, however, that the long existence of a high tariff has given a different direction to the investment of a large amount of capital and has provided employment for a very large body of working-people on different lines from those on which their labor would have been exerted under other conditions, I shall have given complete justification for maintaining even high revenue duties, for a limited period, upon the import of the finer products of our mills and of our workshops which cannot be gainsaid. When I have attacked the general policy of the McKinley act, I shall be charged with being a member of the Cobden Club and subject to the subtile influence of British gold, and when I have stood up for the policy of continuing the revenue duties upon finished fabrics for a reasonable period, I shall be charged by the intolerant

free trader with making an exception in favor of my immediate associates at the cost of the wool growers and the makers of pig-iron.

When I have stated that proofs can be submitted that, with the exception of certain industries that have been protected not only by a tariff, but also by patents and the control of great bodies of ore or coal, the branches of manufacturing which have been subjected to the stimulus of a high tariff have *not* been as a whole profitable,—I shall have taken away from the free-trade orator one of the principal grounds of his attack.

It is necessary that all these varied misconceptions should be removed, and that the pending discussion should not be obscured by errors and mistakes on either side.

I long since bore witness to the very grave danger that would ensue from bad methods of changing even a bad tariff system. I have witnessed the results of such methods and the present recurrence of such danger. The so-called free-trade tariff of 1846 is an instance of a bad method of reforming a bad tariff. The tariff of 1842, which was by intention a highly protective tariff, discriminated in both directions by high duties on finished fabrics, and low duties or the free admission of crude materials. It led to a large investment of capital in many branches of work by men who were not capable of undertaking them under ordinary conditions, but who might perhaps have learned how to do the work except for changes made in the very reverse direction in the tariff of 1846. This tariff has been called a free-trade tariff, it was really nothing of the kind. It was a measure, as I have been informed, that was framed under the direction of the late Robert J. Walker by a committee of custom-house officers, and it was carried under party control

without amendment. In many instances it raised the duties on crude materials above what they had been while it reduced them on the finished fabrics. It thus discriminated against the very branches of industry which had been to some extent unwholesomely promoted under the previous act of 1842. Unnecessary harm was done by raising the duties on crude materials, and this disaster was attributed in general terms to what became known as "A Free-Trade Measure." This act was subsequently amended by the abatement of the duties on crude materials, to the end that under the tariff of 1857, in which very low rates compared with those now in force were put upon finished fabrics while crude materials were either free or subject to low duties, the progress in the manufacturing arts which had been subject to great variations and fluctuations previously, was more steady, uniform, and freer from great fluctuations than under any system of duties which has ever come under the observation of the writer.

This danger of lack of discrimination in amending a bad measure has again happened in recent years. It has been proposed by conspicuous persons, even among the advocates of protection, to reduce the duties on goods and in the same measure to raise them higher on the materials which are necessary in these protected manufactures.

Again, some of the measures which are even now pending in the present Congress, represent neither a principle nor a sound business policy; they are sectional, or else they have been promoted by mere opposition to trusts. If suitable discrimination were applied in the preparation of a broad and general measure of reform, the duties, for instance, upon cotton ties would not be taken off until the manufacturer of cotton ties had been placed in a position to compete on even terms with the foreign iron-

worker by the removal of the duties upon the material from which cotton ties are made. The removal of the duty upon binding twine may not be justified on any sound principles of discrimination in framing a revenue measure, until the manufacturer of binding-twine and cordage has been given a position equal in advantage to his foreign competitor by taking off the tax on the materials that enter into the construction not only of his goods but also of his machinery. The proposition to abate duties on some classes of crude materials while maintaining them on others, because their abatement might have a sectional effect adverse to party success is without justification. On the other hand, all these measures are merely tentative, and may perhaps be defended in order to show the final direction on which a reform of the tariff would be carried into effect in one comprehensive bill if it had not become a mere party question.

Again, while the rule of high wages derived from low cost of production may be proved to govern all the arts which have been of necessity conducted within the limits of our own country in which our interstate or domestic commerce is absolutely free, this rule has been subject to a variation in our relations with foreign countries. By keeping the demand of this country, which possesses the greatest power of purchase, from being freely made upon the textile factories, iron foundries, workshops, and other establishments of England and other countries, it may doubtless be proved that the rates of wages in these particular arts have been kept lower in Europe than they would otherwise have been had our demand been free—while the rates of wages in these specific arts in this country may have been maintained as high as the high rates of wages that prevail in other pursuits; such rates being

higher than those paid under existing conditions in foreign countries. It follows of necessity that if these specific finished products were suddenly admitted to this country free of duty, there would be a destruction of capital and a taking away of established methods of work which would be wholly destructive and unjustifiable. Discrimination may rightly be applied to the maintenance of duties for revenue purposes on these finer goods and fabrics which are of voluntary and not of necessary use. Such duties may be maintained without harm to the consumers until the establishments have had time to become adjusted to the new conditions of free commerce in the component materials that enter into their products.

What the exact effect of the adoption of this policy of common-sense would be upon existing forms of industry can hardly be demonstrated in advance. In the judgment of the writer, the stimulus to the textile arts in the useful or necessary directions, and to the higher branches of metal working would be very great; it would probably lead to a reduction in the import of many kinds of textile manufactures, and to an increase of our exports of textiles and yet more of metal work. It may be observed that our export of what are called manufactures is even now increasing in considerable measure. In the line of metallurgy it consists of goods of the highest grades to which most skilful labor is applied at the highest rates of wages; that branch of export traffic would be very greatly stimulated if the consumers of metal in this country could secure their supply of crude materials on the same terms with their competitors in other countries, whatever the actual prices might be in any given year. The same reasoning would be in a measure true in its application to staple textile fabrics; the finer kinds of textiles, however, depend so much upon style, fashion,

and fancy for their sale, that we cannot predicate the future conditions upon any single rule.

It must, however, be here remarked that Great Britain is our principal customer. She has flooded us for many years with British gold in order to promote her own interests. Through the long-continued efforts of Richard Cobden, John Bright (antecedent to the conversion of Sir Robert Peel and W. E. Gladstone) for the remission of duties, the British taxes upon the import of our grain, meat, dairy products, and cotton were removed. The effect of this work of Cobden, and of his successors who now constitute the Cobden Club, has been such that within the last few years we have exported to Great Britain two hundred and fifty million dollars' ($250,000,000) worth of our domestic products in excess of our imports from Great Britain. The figures of 1891, disregarding fractions, show exports from this country to Great Britain $445,000,000 in value; imports $195,000,000. The difference, $250,000,000, consists of British gold which has been placed at the credit mainly of our farmers who have found in Great Britain the most profitable place for the sale of their excess of grain, dairy products, meat, and cotton. The drafts for our purchases in other countries of sugar and of tea and coffee and other food materials, as well as of hides, wool, dye-woods, and other articles that enter into our manufactures, have been drawn against this great fund of British gold for the support of our manufacturing and mechanical industries.

I have thus given the motive of this series of essays, with the hope that the time may come—perhaps in the second session of the present Congress—when legislators will adopt what may be called the "*method of agreement*"; or of cancellation by agreement of all points in

this problem that can thus be eliminated. It is related that two old-time clergymen of different denominations had been disputing a long time upon many points of doctrine. One day it occurred to them to undertake the "method of agreement," so as to bring their points of difference into such clear aspect that they could be reasonably adjusted. In pursuance of this method they finally eliminated so many of the points of contention that all there was left for dispute was a different construction given to one Hebrew word in the Hebrew version of the Bible; upon that one word they then agreed to differ without further contention.

If this tariff question could be taken up by a jury of twelve men, selected on the ground of their being competent to deal with the whole subject, presided over by a true jurist, an act for the collection of an ample revenue for the support of this government, to be wisely and not penuriously expended, could be framed upon conditions that would assure to the people that all taxes that were paid by them would be received into the Treasury of the United States. This work could be done by adjusting the points on which all parties are now agreed, with as little difficulty as that which was met by the clergymen in doing away with the points of contention by which they had been so long parted.

When it shall become useless for any specific body of men, for any district, for any State, or for any section to attempt to promote public legislation for the private support of any specific branch of work *except through exemption from taxation*,—the prime cause of corruption in the civil and political service of this country will have been removed. Then, and only then, will a government of the people, by the people, for the people, be absolutely assured.

It may perhaps be held to be somewhat presumptuous for any one person to attempt to deal with this great public question in the way in which it has been treated in this series of essays by calling "A plague on both your houses,"—upon the doctrinaire free-traders and the intolerant advocates of McKinleyism alike.

That argument, however, does not concern the writer. He has been guided by the rule of demand and supply in providing such articles, essays, and treatises upon economic subjects as might be called for in a way that would warrant the work he has done in their preparation. Years ago the writer found out that the community would not be reformed by agitators, and that the only way for one who did not occupy a conspicuous public position to bring about righteous changes would consist in a close and constant observation and study of events, and in biding the time when the very circumstances of the hour would force public attention to be given to these great problems.

For many years subsequent to the restoration of specie payments on the 1st of January, 1879, it became apparent that the tariff question, in which the writer had previously taken quite an active part, had become an issue of lesser importance as compared to the maintenance of the public credit and of a sound currency. So long as one party could be depended upon more than another on that issue, it seemed useless to continue a discussion on the tariff question from which no practical results could be attained, because both vote and action must yield to the more important problem of the currency.

It happened, unfortunately, that the party that had been dominant for many years and upon whom rested the responsibility of the maintenance of a sound currency, had also committed itself to such tariff measures as the

acts of 1867 and subsequent tariff acts down to 1883 inclusive. It therefore became necessary that the policy of increasing duties in the vain effort to give protection by excessive taxation must run its course. It was long since manifest that it would culminate in some measure corresponding to the McKinley act, by which the fallacy and futility of the attempt to protect by privation of imports would be finally exposed.

That time has come. Members of both political parties have now united in maintaining the credit of the nation, and will remain united and hold out to the end in successfully sustaining a safe standard of value.

The policy of promoting American industry by the reduction of taxation and by the exemption of crude materials from heavy duties, has now taken firm hold upon the mass of the people. Under such conditions it may be held to be the duty of every man upon whom a demand may be made, to submit what he believes to be the facts and to give the conclusions on which right measures of reform may be framed. Under such a condition of parties as that which now exists one should adhere strictly to the facts in the case; by so doing he will inevitably take away the foundations of many of the delusions that have existed on either side of this discussion. The intolerants on either side may alike reject his conclusions, but it may happen that they will still serve a useful purpose.

The interest of the whole people of this country is now excited upon questions of finance and taxation. The Farmers' Alliances, the Trades' Unions of the workmen, the Trade Associations of the employers, the advocates of Woman Suffrage, and the Labor organizations, are alike trying to deal with the problems that have been treated in these essays. That is a more hopeful condition

than the inertia which has given an opportunity to the advocate of special legislation to carry out his measures without remark.

In every emergency the great mass of people may be relied upon to support that policy which is right. Slow, but sure in action, the people detect the specious charlatan who covers his selfish purposes under the show of working for the public good. They insist upon the truth, the whole truth, and nothing but the truth. That is what the writer has endeavored to present in this work without fear or favor, in response to an urgent demand made upon him from many quarters.

It is interesting, for one who is convinced that the logic of events will govern the actions of men, to observe that even during the short period that some of these essays have been in process of publication in the daily press, the negotiation of additional treaties of reciprocity in trade, the passage of a bill to admit foreign-built steamships to American registry, and the increase in the revenues of the government from liquors and tobacco fully sustain all that has been said about the tendency of events, as well as all that has been submitted in regard to the ability of the country to remove every obnoxious tax and yet give full assurance of ample revenues for the future conduct of the government, coupled with sure protection, by exempting the materials required in our domestic processes from taxation, and by so doing enabling our foreign customers to pay with their own products for the products of our farms and factories.

The Democratic party has become the party of Tariff Reform and reduction. The Republican party, having found out that McKinleyism is a blunder, seeks by indirection to accomplish the same purpose through reciprocity and the free list. Ere long the logic of the case

will govern, so that each party may try to outstrip the other in giving true protection to the manufacturer, the mechanic, and the farmer alike by the complete exemption of all material from any taxation.

In closing, I may again call attention to certain facts which are not yet patent to all. The area of the continent of Europe, omitting the uninhabitable portions of the extreme north, is about 3,000,000 square miles. The area of the United States, omitting Alaska, is about the same. Upon each continent there is every variety of climate except extreme heat, every variety of soil, and every variety of product except the tropical. In the United States the differences of race, creed, color, and condition are greater than in Europe. The methods of local taxation are as various or more so. On the one continent all forces tend to peace, order, and industry. There is abundance and great material welfare. On the other continent all forces tend to war, scarcity, pestilence, and even famine, to disorder, and to the enforced idleness of the barracks and the camp. What is the one difference in the conditions of the people of the two continents? On the one side the people of each and every State serve each other under a system of absolute Free Trade such as was never before assured to an equal number of people nor ever before extended over half a continent. On the other, the barriers to mutual service are sustained by the armies which, except for these barriers, might be disarmed.

The time may not be far distant when the intelligence of the people of this country will be equal to the opportunity that is offered them to establish the one factor in our liberty of which we have been so long deprived,—the liberty of commerce.

INDEX.

A

Account, current, of government expenditures for fiscal year 1890–'91, 7; of United States with tax-payers requires immense amount of clerical work, 41; proper form in which to state income of United States, 1

Accounts, enormous volume of, necessary in service of nation, 41

Activity promised; depression result of McKinley tariff, 58

Ad-valorem duty on woollen and worsted fabrics, 77

"Agreement, method of," would settle tariff question, 271

Agricultural, implements, we excel in manufacture of, 96; machinery, influence in production of wheat, 163

Agriculture, German, in a bad way, 174; insignificant import of products of, 93; number employed in, 53; our supremacy in products of, 148; per cent. of people occupied in, 150; protection to, 150; United States excels in products of, 55

Aldrich, Senator Nelson W., defines principle of Protection, 82

Alfalfa, clover, renovators, 149

Alliance of both parties begun in recent action upon free coinage, 71

Alternative method of tariff reform, 23

American labor should be protected in choice of subjects for taxation, 45

"American System" of Protection *not* American, 48

American workmen, taxation should protect, 61

Anarchist, nihilist, and communist are complements of policy of blood and iron, 189

Anarchy, danger in Europe caused by lack of food, 191

Appleton, Nathan, took part in Free Trade meeting, 47

Armies and navies must be supplied with food, 178

Armies, waste of, 180

Arms-bearing age, men of, in France, Belgium, Germany, and Holland, 185; number of men of, 43; ratio of United States soldiers compared to European, 187

Army and navy interest-bearing debt, Great Britain's, compared to United States, 188

Army, carefully fed so as to secure the maximum of energy, 190; cost of, 11; German, must be subsisted, 11; importance of feeding, 178; tax upon industry of Continent of Europe, 186; United States, compared to armies of European states, 42, 43; United States, serves only as a border police, 43

Articles, in crude condition (Class B), duties on, 13; wholly or partly manufactured (Class C), duties on, 13

Artificial, conditions induced by high tariff, 59; result of Protection less favorable than natural course, 119

Art, no important, established here as result of high tariff, 51

Arts and manufactures established before Hamilton's tariff, 51

Asia, Africa, and other tropical countries, slight use of machinery in, 173

Asia, Africa, South America, and Australia, why we cannot supply machinery to, 137

Atkinson, Edward, his *Report on Bimetallism*, 214

Atlanta Exposition, 1881, cotton manufacture at, 165
Australia and New Zealand, rate of wages in, xvi.
Axes, price in 1860 and 1880, 168

B

Banking, facilities, little increase in, 216; restrictive legislation upon, should be removed, 217
Banks, benefit of, 217
Barley, Canadian, 197
Bastiat, on workman's share of product, 162
Belgium, duties for revenue only, 181; exports from, 182
Berlin decrees of Napoleon, effect of, 108
Bessemer steel, patent, 147; profits in manufacture of, not due to Protection, 99
Best-fed nation in world is the United States, 175
Bigelow, Erastus B, author of Wool and Woollen Tariff, 76; defines his position on tariff, 78; devotee of protective system, 72; framer of present tariff on wool and woollens, xiii; justification of protective duties, 77; policy, failure of, in regard to wool, 78
Bi-metallism, Atkinson's *Report on*, 214
Binding twine, duties upon, 269
Blacksmithing, no foreign competition in, 97
Blaine, James G., on tariff question, 84
Bland act condemned, 241
Blue Book, government, 8
Bonds purchased before maturity by revenue derived from taxing crude materials, 143
Boston, price of adequate nutrition in, 190
Bounties and subsidies, unwise, vi; upheld by legislators who decry commerce, 106
Bounties, direct and indirect, sanctioned by the people, 116; fallacious expectations of, fostered by McKinleyites, 129; justified, 255; justified by Second Act of First Congress, 115; premiums, etc., Hamilton on, 87; to sugar-planters justified by Supreme Court, 114; to sugar-planters might better be used to increase salaries of public officials, 40; to sugar planters, taxation for, 8; vested right in, 117
Breadstuffs, labor cost in production of, xix
Breckinridge, C. R., and Wm. C., work on Mills Tariff Bill, 69
Brick- and tile-making, 97
British Association for the Advancement of Science in 1887 discusses bi-metallism, 100
"British Free Trade" in United States, 123
British, gold, American farmers, 271; steamers, why we cannot compete with, 136; tariff reform, Peel's first measure, 33
Building trades, extent of; necessity of exemption of materials from taxation, 151
Burden, of tax put upon other countries a misconception, 193; our relative, compared to European, 42
Bureau of Labor, Seventh Report, 204
Business men, salaries much greater than government officials, 40
"Buy in cheapest market, sell in the dearest," 125

C

Cabinet officers, salary of, 40
Cairnes', J. E., theory of wages, 161
California, wheat farm, figures almost incredible, 164; wheat production in, 164
Canada, and United States during the Civil War, 105; certainty of commercial union with, 171; commerce with, 199; effect of duties on farm products of, 129; immigration to United States, 195; reciprocity with, 195; relation with United States during war, 105; sales of products of agriculture to, 56; United States, commerce between, 193
Canadian, forest, product needed, 97; wages depressed, hence Canadian immigration to United States, 198; wheat, effect of our duties upon, 196

Canadians, competition of, with our workmen, 130; French, workers in our textile factories, 130
Canal, Erie, value of products moved over, 222
Canned provisions, tax on tin-plate, forbids exports, 133, 134
Capital, and labor, apparent antagonism, 160; becomes more automatic, brings about increasing product, 161; competition with capital, 162; injudicious to destroy it by immediate Free Trade, 59; less required, as machinery becomes more effective, 161
Caprivi's, Chancellor, argument for reciprocity treaties, 105; resignation, 174; speech, 192; speech on importance of feeding army, 178; verdict upon German McKinleyism, 174
Census, Eleventh, cost of, 10; of 1880, statistics of wages and prices in Vol. XX., 166; of 1880, 94; of 1890, 13; of 1890 *should* contain statistics of wages and prices from 1880 to 1890, 166
Central Pacific R. R. Sinking Fund, 11
Cheap Cotton by Free Labor, 145
Cheese and butter-making, 97
Chief Justice, salary of, 40
Circuit Court judges, salary of, 40
Citizens' rights, decision of Supreme Court, 121
Civil Service, no true order of merit in, 41; people's will that it be maintained, 24; reform needed in salaries of government officials, 41
Clay, Henry, debates in Senate with Webster on tariff, 48; defends "The American System," 48; Webster, etc., debates in time of, 263
Cleveland, tariff message of, vii
Clothing, numbers employed in manufacture of, 153
Coal, and coke must be put in free list, xiv; and iron control commerce of world, 138; cost rising in England, 138; ores, crude iron, evil effect of tax on, 29
Cobden Club, and British gold, 266; and Free Trade, 271
Cobden's efforts for repeal of duties, 271
Coinage, a government monopoly, 216; defined, 206
Coin, must be worth as much after it is melted, 209; value derived from weight, 206; value of, depends on weight, 233
Coins, foreign, gold, E. O. Leech's table of values, 236; foreign, gold, Norman's table of values, 234; foreign, silver, E. O. Leech's table of values, 237; foreign, silver, Norman's table of values, 235
Cold climate, stimulus to textile arts, 158
Collectivism, views in regard to State possession of property, 1
Columbus, 108
Commerce, barriers to, will be removed, 276; centre of, may be brought here by Free Trade, 219; consists of exchanges conferring mutual benefit, 80; domestic, of United States compared to international commerce of all nations, 111; foreign, obstructed by prohibitive duties, 230; Great Britain's, 183; in our steamships forbidden to United States by reason of its protective policy, 37; international, a state of passive war—stupendous blunder, 109; of world, control given to Great Britain by stability of monetary system, 183; of world, we hold key to, 183; privation of, through tax on crude materials, 143; regarded as passive international war by cranks, 105
Commercial flag of Great Britain dominates every sea by reason of Free Trade, 37; wars caused by misconception of balance of trade, 106
Common-sense, effect of policy of, 270
Communism, views in regard to State possession of property, 1
Compensation of United States officials beggarly, 39; to public officials, public no conception of meanness of, 40

Competition, among nations narrowed down, 181 ; danger of foreign, exaggerated, 91 ; foreign, none in trade and transportation, or professional and personal service, 55 ; foreign, with our finished manufactures, cannot determine rate of, 55 ; with Ohio in import of product of like kind necessarily very small, 56 ; worst kind, induced by bounties, 114

Congress, has no power to legislate what occupations shall or shall not be pursued, 119 ; has power to levy duties for the general welfare," 254 ; has power to levy duties, 114 ; in second session *could* abate duties on all crude and partly manufactured articles, 71 ; may legislate "for the general welfare," 114 ; of the United States, power possessed by, 258 ; of United States more supreme than Parliament, 117 ; of 1893, conditions it will meet, 124 ; Webster never dreamed of its domination by Silver, Pig-Iron, and Wool, 120

Congressional Record, admirable debates in, 263

Contracts in gold dollars, meaning of, 207

Copper, United States deprived of free use of her own, 67

Corn laws, repeal of, by Peel, 36, 37

Cost, examples of reduction in, with higher rates of wages, 168 ; of national taxation represented in percentage of work, 8 ; of our labor lowest, rates of wages highest, 54

Cotton, and cotton fibre, Edward Atkinson on, 145 ; and grain, we produce more than we can consume, 141 ; contrast between hand and machine labor in, 165, 166 ; dress-suit, made wholly in one day from field-cotton, 165 ; factories fifty years ago, 167 ; factory of to-day ; product greater, labor less arduous, wages higher than fifty years ago, 167, 168 ; -gin, invention of, led to spinning and weaving, 51 ; industry later than Hamilton's tariff, 51 ; lowest prices ever known between 1842–1846 under high tariff, 48 ; low prices under the McKinley tariff, 48 ; manufacture, data of, computed by Edward Atkinson, 94 ; manufacture developed by invention of cotton-gin, 147 ; manufacture exemplified at Atlanta Exposition, 165 ; manufacture of, developed subsequent to 1791, 89 ; manufacturing, coarse, 165 ; plant, value of root of, 145 ; ties, duties on, 268

Country, prosperity of, will be cited by McKinleyites, 265

Cow-pea vine a renovator, 149

Credit, instruments of, liquidate 95 per cent. of purchases and sales, 226

Crude and partly manufactured materials, admitted free by Great Britain, 173 ; any tax upon, a serious obstruction, 62 ; by taxing we deprive ourselves of advantage of our smaller army, 187 ; duties on, 27 ; duties raised upon, in tariff of 1846, 268 ; duty may be removed without injury, 126 ; if duties were removed from, this country would take the lead, 92 ; necessary in domestic manufactures should enter free, 62, 67 ; necessity of exemption from taxation, 274 ; price above that of other countries, 29 ; removal of tax on, would do away with much foreign competition, 98 ; tax on, gives advantage to foreign consumer, 140 ; tax on, limits production, prevents exports, burdens commerce, 141 ; true cost of tax upon, 135 ; untaxed in Hamilton's tariff, 47

Crude theory of trade, 106

Customs laws in 1797, 32

Customs, origin of, in reign of Edward I., 32 ; revenue for 1890–'91, 12 ; revenue from, in fiscal year ending June 30, 1891, 20, 21 ; revenue, probable excess above pensions, 21 ; revenue, true, 19

D

Daily Commercial Bulletin, Col. Wright's Report on Wages in, 20

Dawes', Senator, definition of Protection, 199
Debit side government account, 12
Debt, burden of European nations, 108 ; public, interest on, 11
Deep-Water Ways Convention, address at, by George H. Ely, 137
Democratic party of to-day a party of *people*, 259
Democrats, party of Tariff Reform, 275
Despotism, views in regard to State possession of property, 2
Detroit, Canadian laborers in, 199 ; tons of registered shipping passing city of, 137
Disadvantage, our relative, in cost of iron and steel, 137
Disparity in price of iron, considered in ratio to profits, 136 ; greater disadvantage the lower the price is forced, 138
Distribution, importance of mechanism of, 152
Distribution of Products, 184
Dollar, gold, weight of, 233 ; of United States compared to pound sterling, 218
Dollars and *Thalers*, 207
Domestic, industry, promotion of, rests upon free import of food and crude materials, 67 ; manufactures should be promoted, 45 ; traffic, magnitude of, 137 ; traffic, vast volume of, compared to foreign, 230
Dutch, the, "ate the whitest bread in Europe," 231
Duties, compensating, xii ; depress prices of materials abroad, 27 ; diminish purchasing power of other nations, 27 ; impossible to adjust on imports by rates of wages, 54 ; inflict grave injury to workmen, 28 , maintain prices on crude materials higher here than abroad, 27 ; on crude materials render it necessary to grant compensatory duties, 28 ; progressive reduction of, 123 ; progressive reduction on finer goods, 128 ; upon articles of luxury, 26
Dreibund treaty of reciprocity established, 174

E

Earnings, actual average of employees in manufacturing arts in 1880, 94 ; average, of those occupied for gain, 3 ; higher than ever before, 215 ; relative, 200
Eastern States, greater wealth not due to a high tariff, 156
Economists' theories compared with facts, 160
Edward I., customs originated in reign of, 32
Eggs, and poultry, proceeds of sales distributed throughout country, 50 ; computed value of, in the United States, 50 ; product of Ohio, 50
Ely, George H., address on Domestic Traffic given at Deep-Water Ways Convention, 137
Embargo, result of, 47
Energy, waste of, directed towards support of army, 186
England, centre of world's commerce, 231 ; purchasing power restricted by our tax on iron, 139
European countries, machine-using States import food, 173 ; rank of, in use of machinery, 170
Europe, product deficient, distribution bad, 184
Excess, grave danger of slight, which cannot be exported, 141
Exchange of products forbidden by Protection, 79
Executive Department, cost of, 11
Exemption of crude materials from taxation should be beginning of tariff reform, 146
Expenditures, lessening year by year, 11 ; normal, of government, 18
Exports, and imports, combined sum of our, 111; to Great Britain, excess over imports, 218
Export stopped by high tariff, 96

F

Factory system, Webster argues that government is bound to sustain, 49
Fallacious ideas of "paternalism" traced to attempt of Congress to regulate wages, 58

Families, incomes of greater number of, 227
Family, consists of, 200, 201 ; normal, expenditures of, 201
Famine, in Europe, effect on the United States, 58 ; in Russia, 108 ; Irish, in 1846, 37
Famine-stricken Russia, 44
Faneuil Hall, Webster's speech in, 118
Farmers', Alliance, demand for government aid, 58; and cotton-growers, depression in price of products of, 142 ; daughters, earnings in cotton factories fifty years ago, 167 ; fiat-money men, 213 ; of France and Germany, futile attempt to protect, by duties upon food, 174
Farmer, tax on tin-plates works great injury to, 133
Farm products, prices influenced by obstruction to imports, 67 ; value of imported, small, 129
Federal government has no constitutional power, 257
Fiat, dollars not wanted, 73 ; -money men's project, 213
Fibres, tonnage moved by railways, 221
Finance, and taxation, interest of people upon questions of, 274 ; Committee's Report on prices and wages, viii, 262
Finer fabrics may be taxed, 153
Finished products, discrimination necessary in duties on, 270
Fiske, John, on higher stage of barbarism, 109
Florida and South Carolina, phosphates of, 149
Flour, grain, and milling, no foreign competition in, 97
Fluctuations in manufactures, reasons for, 143
Food, and fuel, taxes must be taken off, 61 ; and live animals, Class A, duties on, 12 ; cost of, in ratio to proceeds of work, 149 ; cost one-half price of life, 150 ; deficient in nutritive power, 149 ; duty may be retained on articles of luxury, 126 ; Europe's ability to take our, depends on her means of payments, 142 ; expenditures for, at home and abroad, 202 ; fibres, fabrics, movement of, 224 ; importance of, for effective work, 175, 176 ; imported by European machine-using States, 173 ; nitrogenous element supplies muscular energy, 176 ; -problem here how to stop waste, 177 ; -problem in England, and other European countries, 177 ; product, value of, moved by railways, 222 ; purchasing power diminished by tariff obstructions, 139 ; quality must be right, as well as quantity, 176 ; relation of cost to earnings, 179 ; shelter, clothing, final end of life-work, 225 ; supply assured only in Great Britain and Holland, 174 ; supply compared to fuel of steam engine, 176 ; supply compared to rate of wages, 177 ; waste in army supply of nations compared, 178 ; we supply ourselves with double product at half cost of European countries, 150
Forest, value of products of, 221
Forum, The, article by Edward P. North on magnitude of domestic traffic, 137 ; for September, 1891, condensed accounts of nation given in, 1, 42
France, and Belgium, their facilities for export of machine-made goods, 172 ; Belgium, Germany, Holland, total population of, 185 ; exports from, 182 ; food expenditure of, 203 ; Germany, Belgium, Holland admit crude materials nearly free, 173 ; sometimes dependent upon other countries for food, 174
Free coinage, act *may* pass, 229 ; more disastrous than McKinley tariff, 112 ; of silver, alliance of members of both parties to defeat, 71 ; of silver dollars act of fraud, 213 ; of silver dollars would shake credit, 22 ; of silver will debase standard of value, 112 ; when safe, 208
Free conditions of exchange promote diversity of occupation, 54
Free Trade, absolute, among the people of the United States, 52 ; absolute, not the declared motive of the Democratic party, 73 ; absolute, would

Free Trade—*Continued.*
result from strict interpretation of Republican tariff plank, xvii ; all nations profit under, yet we profit most, 55 ; and Sailors' Rights, 47 ; application of, should consider existing interests, 38 ; a *principle*, 105 ; attempt to attain, by developing special branches has failed, 154 ; British, begun under Peel, 48 ; clubs, bad methods, 264 ; continental system of, among our various States, 25, 42, 100, 276 , countries of Europe only ones in which full supply of food is assured, 174 ; defended by Webster, 118 ; defined by Senator Hoar, 80 ; especially desirable for United States, 107 ; founded on a principle, 107 ; in United States may change centre of world's commerce, 219 ; our country demands to be governed by men who represent, 110 ; Peel believes, must be introduced gradually, 38 ; promotes peace, 104 , requires no force, 104 ; road to like road to virtue, 38 ; synonym for Liberty, 120 ; tariff of 1846, 266 ; the objective point, 69 ; the right of every citizen, 122 ; ultimate object of the advocates of Protection, 74 ; Webster's great speech on, 47 ; why it must be dealt with as a *policy*, 264 265
Free-trader, principle of, defined by Hoar, 81
Freight charges, amount, 111
French, Revolution, 108 ; soldiers fraternized with people, 191 ; thrift and cooking skill, 191
Furniture, cost in 1860 and 1880, 168 ; we excel in, 97

G

Gain, class divisions of persons occupied for, in 1890, 4 ; list of persons occupied for, as given in census of 1880, 4 ; number occupied for, 3, 43 ; number occupied for, in 1880, 53 ; proportion of population occupied for, 3 ; total number occupied for, in Pennsylvania in 1880, 56
"General welfare" defined, 254
George III., number of acts relating to imports in reign of, 33
German government teaches working-people how to cook, 191
Germans under-fed, 109
Germany, and the Netherlands, export of machine-made goods, 182 ; cost of work-ration in, 190 ; exports from, 182 ; high tariff under Bismarck, 182 ; people almost unfit to work, 44 ; under-fed condition of workmen, 203
Gladstone on Peel's Free-Trade measures, 38 ; repeal of Navigation Laws, 37
Glass tumblers, price in 1860 and 1880, 168
Gold, alleged scarcity of, 214 ; and silver, depreciation of, 214 ; and silver, ratio of, 214 ; and silver, substitution of instruments of credit therefor, 214 ; bars used in international commerce, 211 ; basis, prices and wages on a, 238 ; basis, result of resumption on, 239 ; dollar lawful unit of value, 228 ; result of premium on, 239 ; scarcity of, 214 ; standard, restoration in 1879, 101 ; standard, United States should adhere to, 218
Government, aid to private enterprises, robbery, 25 ; cost of, could be met by revenue from liquors and tobacco, 244 ; cost of, in terms of work, 9 ; duty "to promote the general welfare," 86 ; expenditures of, for fiscal year ending June 30, 1891, vi, 6, 7, 11 ; expenses variable but continuous, 11 ; extraordinary expenditures in fiscal year ending June 30, 1891, 10 ; normal cost of, 11 ; of United States in account with tax-payers, 10 ; receipts, miscellaneous, 16 ; receipts, total, 16 ; service, number of persons employed in, 9 ; should receive all taxes paid by people, 46, 153 ; support of, how derived, 6 ; total cost of, 12 ; true cost of, 11
Great Britain, admits crude materials free, 173 ; and Ireland, facilities for export of machine-made goods, 172 ; Belgium, Germany, iron and coal deposits of, 139 ; burden in support

Great Britain—*Continued.*
of navy, 187 ; colonies, exports valued at, 110 ; cost of labor compared to higher cost of iron in United States, 136 ; depressing effect of taxes on products in 1842, 144 ; expenditure for food, 203 ; exports from, consist of useful fabrics, 182 ; Free-Trade country, 181 ; in 1840, 35 ; led until recently in application of machinery to production, 170 ; lower cost of pig-iron to consumers in, 135 ; our principal customer, 271 ; rates of wages in, 182 ; what has given control in trade to? 183
Gross product, value of our, 224

H

Hamilton, advocates remission of duty on cotton, 51 ; and Webster on manufactures, 50
Hamilton's, list of manufactures, conclusions derived therefrom, 146 ; policy, 47, 85 ; Report on Manufactures, 86 ; tariffs, rates in, 47 ; testimony as to early manufactures, 89
Hand-work, and machine-work contrasted, 160 ; in exchange for machine-work, 175
Harbors, expenditures for, 11, 90, 91
Harris, Edward, leads argument against wool and woollen tariff, 63
Hen-yard, value of product of, 150
Higher wages, lower cost, examples of, 167
High revenue duties justified for limited period, 266
High tariff, justified only by those who regard commerce as war, 107 ; long continued, depresses prices abroad, makes wages uncertain at home, 54 ; present system should *not* be continued, even in part, 156 ; system merely a policy, 104
High wages, and low prices result of low cost of production, 169 ; low cost of production proved, 159
Hoar, Senator George F., defines Free Trade, 80
Holland, exports from, 182 ; formerly typical Free-Trade country, 181
Home market, danger of over-stocking, 141 ; should be developed, 45
Household appliances, no foreign competition in making, 149
House of Representatives, next candidates will be elected on platform of tariff reduction, 70
House-room, approximate estimate of cost of providing for increased, 151
Houses, manufacture of, number of men occupied in, 151 ; taxed at every point, 152
Hume, James Deacon, further consolidation of customs duties, 33 ; Joseph, brings about first step in tariff reform, 33
Hume's table, logic of, converted Peel, 34
Huskisson, leads measures for change in tariff laws of Great Britain, 48 ; puts wool in free list, 33

I

Imports, and exports from Great Britain, 271 ; and revenues derived therefrom, bad form of annual statement, 34 ; classified by Hume's Committee, 34 ; dutiable, increase in, because of reduction in price, 23 ; of finished fabrics invited by tax on crude materials, 140 ; paid for by our exports, 99
Import tax *not* a burden upon other nations, 2
Income, and expenditure of the United States stated in form of an account current, 1 ; of State derived from taxation, 2
Incomes, average, of workmen at home and abroad, 202 ; proportionate, in United States, 204
Income tax, becomes surplus when tax on crude materials is removed, 144 ; unexpected yield in Great Britain from Peel's, 36
Increased product at lessening cost by application of machinery, 161
Independents compared to Free Soilers, 259
Independent tariff reformers, work left for, xvii
India, competition in wheat-growing with Great Britain, 101

Indians, cost of support, 11
Industrial Progress of the Nation, 184
Industry, domestic, relief to, by proposed abatement of duties, 23; some minor branches of, *may* have been established by almost prohibitive duties, 51
Interior Department, cost of, 11
Internal revenue, tax collected on spirits, tobacco, liquors, and oleomargarine, 15
International Commerce, aggregate sum given in *Statesman's Year Book*, 110; its amount, 210; liquidated in terms of pound sterling, 212
International, imports and exports, 211; legal tender, effect of a treaty of, 218; traffic, our proportion of, 137
Iron, actual price reduced from 1880–1890, 136; price lower abroad, because of obstruction to our demand, 139
Iron and coal, Great Britain's possession of deposits of, 183; mines of Pennsylvania, workers in, 130; supremacy in production of, now belongs to United States, 183
Iron and silver give occupation to very few, 50
Iron and steel, effect of disparity of price on, 140; effect of same price in this country and abroad, 137; producers' profits due to control of patents, 156
Iron industry, no great fluctuations if crude materials were free, 138; plea upon which tariff measures prior to 1861 were supported, 49; true Protection to domestic, how attained, 138
"Iron law of wages" wrong in free country, 191
Iron masters, in Pennsylvania, magnificent incomes of, 36; large profits of, 29
Iron miners and workmen, beggarly wages of, 36
Iron ore and coal, in South need no protection, 156; of Maritime Provinces, 129; our supremacy in product of, 148
Iron ore, cost of labor in each ton, 36; duty on, must be removed, xiv; foreign, duty on import of, 36; import of ore from Spain and Cuba helps domestic ores, 94; number of persons employed in 1890, 93; protection invoked in behalf of mining, 93
Iron ores of Germany, "basis process," 182
Iron, pig-, wool, and silver now control legislation of country, 49
Iron rails and bars, disparity in price of computed, 136
Iron, sheet, evil effect of tax on, 135
Iron, sheet, rolled, tin-plates, etc., effect of reduction in prices of metals abroad upon production of, 64
Italy, Austria, Hungary, Spain, Portugal, not effective competitors in application of machinery, 173
Italy, devastated by *pellagra*, due to insufficient food, 44; food conditions in, 203

J

Jackson's, General, declaration in favor of Protection, 82
Jevons' *List of Prices*, 214
Judiciary, cost of, 11
Justice, Department of, cost, 12

L

Labor cost and duty on iron ore equal, 36
Labor cost, investigated by Carroll D. Wright, viii; not dependent on rates of wages, 51, 252; of materials, absurd to set compensatory duty for, xiii
Labor, Department of, cost of, 11
Laborer, American, superior to underfed "pauper laborer" of Europe, 68; earnings of common and skilled, since 1880, 95
Labor, per cent. of, in woollen and worsted manufactures, 91; wages of, have risen, 228
Labor-saving processes in United States, 171

Lasalle, "iron law of wages," 191
Lawrence, Abbott, took part in Free Trade meeting, 47
Leader wanted to do for America what Peel did for England, 36
Leech, Edward O., tables of values of foreign coins, 236, 237
Legal tender, act, how conceived, 213; no international act of, 210; no need of act of, 211; not missed in international commerce, 212; power of act of, 208
Legislative, body has no right to force circulation of coins of unequal value, 213; department, cost of, 11
Legislature of New York attempts to interfere with freedom of trade, 120
"Liberal appropriations" by Congress advocated by unthinking men, 1
Liberty, as used in Constitution, 120; defined by Judge Peckham, 120; defined by Webster's Dictionary, 121
Life-ration in Boston, 189
Life-work consists of conversion of force, 225
Liquors and tobacco, increase in government revenues from, 275; revenue from, suffices for all government expenses, except pensions, 71; revenue from, 18, 244
Loan Association *vs.* Topeka, 24, 116, 185, 255, 258
London, and Liverpool, tonnage between, surpassed by shipping on Great Lakes, 137; and Paris, price of work ration in, 190
London Times refuses to print Mr. Atkinson's letter on price of wheat, 101
Louisiana sold to United States, 108
Lowell *vs.* Boston, 115 255
Lumber and wood-working, 97
Luxuries, etc., duties on (Class E), 14

M

McCulloch's, Hon. Hugh, attention called to bad form of our tariff acts, also statement of imports and revenue, 34
McCullough *vs.* State of Maryland, 255
Machinery, application of, to production greatest in Great Britain until recently, 170; applications of, to production justified, 159; competition in supply of fabrics made by, 171; increased cost of, 128; our export of, 138; penal offence formerly to take drawings of, out of Great Britain, 50; tools, demand for, 140; why we cannot export to Asia, Africa, and South America, 137
Machine-using populations of Europe, 171
McKay Sewing Machine, revenue derived from work of, in Europe only two-thirds that of United States, 187
McKinley act, and reciprocity, 72; answers from several of its leading supporters, 80; attempted exclusion of goods a failure, 124; contains germs of its own destruction, vii.; defence of, by law officers of government, 258; does it protect industry of this country? xi; double purpose of, 118; effect of, upon our commerce with Canada, 193; first step for repeal of, xi; has no intellectual standing, 241; inconsistent with Republican resolution, xiii; is the scorn and contempt of a large minority of those who voted for it, 24; its purpose cannot be realized, 123; low prices of cotton now under the, 48; protection under, is really privation, 122; public distrust of conceptions culminating in, 109; Republican objections to, 70; will destroy Protection, 146
McKinley bill, alleged careful consideration of comparative cost of making iron and steel at home and abroad, xv.; one merit, 25; supported as a party measure, 57
McKinley cases before Supreme Court, 258
McKinleyism, a blunder, 275; advocates of, impute welfare of this country to obstruction of imports, 230; and Protection, 45; doctrine of "protection with incidental revenue," 36; German, Caprivi's verdict upon, 174; its predecessor, 47

McKinley pebble, 230
McKinley tariff bill, advances prices of tin-plates, 65; committed Republicans to Protection, 250; fallacious expectation of bounties held out by, 129; intellectual capacity of its advocates, 59; is being rapidly condemned, 59; stupendous blunder, 109
McKinley, Wm., Jr., comprehension of tariff question, xi; effect of his tariff upon Oswego trade, 197; fails to answer question, 81; framer of tariff bill, 250
McMillin, Benton, work on Mills' Tariff Bill, 69
McPherson, Senator, effect of McKinley Act, 193
Manning, Secretary, classification of annual accounts, 35
Manufactured, articles, Class D, duties on, 14; goods, labor cost of, xii
Manufactures, depressed in Great Britain, 33; established, list of, given in Hamilton's Report on, 88, 89; fluctuations in, reasons for, 142; Hamilton's Report on, 86; mechanics and mining, number occupied in 1880 in, 91; mechanic arts and mining, three-fourths of products from, could *not* be imported, 55; not a single important branch not established before 1791, 89; of United States, Hamilton and Webster on, 50; our exports increasing, 270; statistics of, given in census reports, 93; very few branches in which any foreign competition could exist, 98
Manufacturing, and mining, rapid growth in South since slavery was removed, 54; arts established by 1791 noted in Hamilton's Report, 87; mechanic arts and mining, number employed in, 53; number of persons occupied in, according to census of 1880, 94
Maritime provinces, duty on iron ore and coal, 129
Market, better in United States for Canadian products, 194
Marshall's, Chief-Justice, decision as to power of Congress to incorporate a bank, 255
Massachusetts and Canada, fence between, should be lowered, 199
Merchandise, value of, moved by railways, 220
Metal and mine products, little foreign competition in, 92
Metz, siege of, victory, how attained, 179
Militarism, disadvantages of, 185
Milk, condensed, Switzerland's large foreign export trade, 133
Miller, Hon. W. H. H., and Hon. W. H. Taft's briefs on sugar-bounty, 254; Judge, Miller, on power of taxation, vi; Justice, establishes limits of taxation, 24; Justice, ruling before Supreme Court, 257; ruling in Loan Association *vs.* Topeka, 116
Mills bill, xii, 69; attempt to reform war tariff, 24; review of, sent by Hon. Thomas B. Reed, 83
Mills, Roger Q., work on Mills tariff bill, 69
Miners, and laborers in furnaces earn barely enough to support life, 29; iron, of Pennsylvania, wages in last census report, 30
Mining, low rates of wages in, 50; number of persons occupied in, insignificant, 93
Moltke, von, chief work, 179
Money, coin or paper, scarce in sections, 215; good and bad, 209; of redemption necessary, 209; paper, must be redeemable on demand in coin, 210; quality should be assured, 217; standard of true, 241
Moral obligations of Government, 116
Morrill, Senator, upon McKinley act, 193; upon the labor question, 197
Morrison bill, xii
Municipal taxation must be for public municipal purposes, 115

N

Napoleon, compelled to sell Louisiana to this country, 108; imposed debt on Holland, 181

National, Bank Act, limitations of, 215 ; debts, European, 188 ; debts, United States, 189
Nationalism, views in regard to State possession of property, 1
Nations classified in application of machinery to production, 172
Nature, less the gratuities, more prosperous the people, 157
Naval vessels, expenditures for, 1890, 1891, 11
Navigation Laws, repeal of, 37
Navy, burden of Great Britain's enormous, 183 ; cost of, 11 ; Great Britain's burden in support of, 187
Necessaries of life, price of, 214
New England, farmers' daughters in cotton factories, 167 ; would be richer if duties *for revenue only* had been imposed, 156
New Hampshire, address before United Boards of Trade, 157 ; Canadian laborers in, 198
New York and Pennsylvania, wheat production in, 164
Nitrogen, deficiency of, in food of the masses, 186 ; means power of work, 176
Noble's *Fiscal Legislation of Great Britain*, 33
Non-machine-using, nations, competition in supply of, 171 ; nations, why we cannot supply, 136 ; people, number who want cotton, 48
Norman's, J. H., *The World's Exchanges*, 233
North, Edward P., on magnitude of domestic traffic, 137
Nutrients must be in right proportion, 176
Nutrition, comparative, of countries and States, 189 ; writer has lately made study of, 179

O

Occupations, analysis of, in regard to foreign competition, 98 ; developed mostly without tariff interference, 163 ; natural diversity establishes itself, 52 ; of people of the United States as listed in census of 1880, 53
Officers, assistant, salaries of, 41 ; of governments, subordinate, excellent work, meagre pay, 39 ; total payment of sixty-four chief, 41; United States, beggarly compensation of, 39
Ohio, occupations of the people of, 56
"Osnaburgs," manufactured in South, 165
Oswego, milling trade destroyed by our tariff, 196, 197

Pacific R. R., interest on bonds advanced by government, 11
Parliament, methods of, better than our administration, 262
Partly manufactured articles could soon be put in free list, 23
Party methods of tariff discussion bad, 262
Paternal policy no longer to be tolerated, 58
"Pauper laborers," deficient in nitrogen, 176 ; ill-fed labor, 176 ; mystery disclosed, 186 ; of Canada in competition with New England labor, 199
Peas, beans, cheese, consumed to supply nitrogen, 190 ; supply nitrogen, 176
Peel, Sir Robert, conversion to tariff reform, his reasons given, 38 ; converted by Hume's table, 34 ; example to be followed by United States, 127 ; first great measure for reform of British tariff, 32 ; first measure of tariff reform, 36 ; institutes beginning of British Free Trade, 48 ; leader like, wanted in America, 36 ; leaves office, but tariff reform continues, 37 ; name will be honored on account of untaxed food, 37 ; removal of taxes on crude materials, 144 ; rule laid down by, for selection of subjects of taxation, 125 ; second great act of tariff reform, 37 ; speech on leaving office in 1847, 36 ; speech on presenting first measures for tariff reform, 35
Pellagra devastates Italy, 44, 109

Pensions, Commissioner of, testimony touching their highest point, 71 ; Commissioner of, views as to future liabilities, 71; cost of first payments, 10 ; estimated by Secretary of the Treasury, 21 ; in 1893, 124 ; necessity of careful estimate of expenditures for, 60 ; roll, cost of recurrent payments, 11 ; to be paid from customs revenue, 19
People, mass of, will insist upon honest dollar, 229 ; move slowly but surely, 24
People's will that taxation shall be reduced, 24
People, will support right policy, 275 ; *vs.* Gilson, 120
Pig-iron, additional annual cost paid by United States as compared to Great Britain, 64 ; American consumers of, price paid above foreign consumers, 135 ; and steel made at least cost here, xv ; and wool, European consumers given advantage by our tax, 196 ; average price of, kept above price in other countries, 29 ; disparity in cost of, to American consumers computed by David A. Wells, 29 ; duty upon, must be removed, xv ; lower cost to consumers in Great Britain, Germany, Belgium, 135 ; protection of, 64 ; value at furnace, 49 ; wool, silver, production insignificant, 50 ; Wool, Silver, Unholy Alliance of, 173
Pine boards, effect of duties on, 195
Pitt, William, act for consolidation of duties, 32
Policy, Webster's definition of, 76
Poor, H. V., on value of goods moved over railways, 223
Postal, deficiency, 11 ; service, revenue from, 15
Potatoes, duty upon, must be removed, xiv ; unjust tax on, 62
Poultry and eggs, value of, 49
Pound sterling, international commerce liquidated in, 212 ; and sovereign defined, 210
Pounds, troy and avoirdupois, analogy to gold and silver, 207
Poverty of workingmen of Great Britain, remedy proposed for, 35
Prices, and wages, Senate investigation of, 262 ; evil effect of *relatively* higher, x ; lower in United States, 215
Principle, and policy contrasted, 76 ; defined, 212 ; of Protection, 80, 257 ; policy of country must become adjusted to, 75 ; Webster's definition of, 76
Product, annual, result of annual work, 2 ; depleted, work increased, by consumption of armies, 43 ; gross, of United States, 219 ; increased by invention, 163 ; increase of, brings excess to be saved, 162 ; joint, value of, estimated, 5 ; of United States, 110 ; result of work, 184 ; rule for distribution of, 6 ; worth of average annual, 4
Production, low cost of, results in low prices and high wages, 169
Products, distribution of, false in United States, 25 ; distribution of, various methods, 2
Professional and personal service, number employed in, 53
Profits, margin of, in Canada, 195
Profit, trade depends on small margin of, 133 ;
Progress, of country depends upon application of science and invention, 100 ; of this country in material welfare, 57
Prosperity, of United States *not* due to high tariffs, 99 ; which will ensue from reduction of duties will increase consumption, 127
Protected industries, few in number, 147 ; give neither higher wages nor greater profits, 147 ; greater fluctuation, more foreign labor in, 99, 147, 148
Protection, advocates of, formerly supported it as a temporary policy preparatory to Free Trade, 61 ; a fence, 199 ; and Free Trade represent the same purpose, 74 ; a *policy*, not a principle, 83, 84 ; artificial government, injurious, 119 ; defence of policy rests wholly upon erroneous assumption in regard to rates of wages, 84 ; defined, 79 ; does *not* diversify industry, 89 ; does not

Protection—*Continued.*
raise wages, 93 ; given up by Great Britain under pressure of pauperism, 32 ; has reached its destruction in McKinley act, 145 ; how will it be most fully assured? 265 ; is claimed to be a principle, 79 ; makes more work; object of science to save work, 154 ; "Principle of," 72 ; principle of, defined by Senator Aldrich, 82 ; principle of, defined by Senator Hoar, 81 ; Professor Thompson's letter on, 85, 86 ; promotes war, 104 ; purpose of, to raise rate of wages and divert capital, 104 ; really privation, 107 ; "reasonable measure of," required by infant manufactures, 51; reasons why it is logically wrong, 146 ; to domestic industry, how assured, xi ; to domestic industry will consist in free men, free soil, free speech, and Free Trade, 68 ; to manufactures, chief argument for, has been high rates of wages in agriculture, 100 ; under pretext of, any Congress can tax all persons for benefit of single class, 117 ; what is it? 45 ; what is the principle of? 80 ; "with incidental revenue," 72, 118 ; "with incidental revenue" impossible, 123; "with incidental revenue," object of McKinley bill, 251; "with incidental revenue" the *new* purpose of McKinleyism, 78 ; *vs.* Free Trade, 264
Protective, duties protect only in periods of short crops in other countries, 174 ; duty leads to overproduction, 113 ; policy, one professor sustains, 85 ; side, bad methods of, 264 ; system, beginning of, 86 ; system culminates in disaster, 1840, in Great Britain, 25 ; system destroys trade, 34 ; system in Great Britain culminates in desperate conditions in 1840, 35 ; system, objective point ultimate Free Trade, 72 ; tariff, effect of, exaggerated, 95 ; tariff, evil effect of, obstruction to trade, 95 ; tariff restricts rather than promotes diversity of occupation, 51 ; tariff stimulates few industries, 95
Proteids, how derived, 176
Public, buildings, expenses of, in 1890, 1891, 11 ; good should be considered in framing a tariff bill, 46 ; opinion on tariff, change in, 58
"Public purpose" defined, 255

R

Railway-freight traffic, increase in, 216
Railway Manual, The, value of goods moved over railways given in, 223
Railways, number of miles constructed annually, 152
Rate of wages, high in United States, cost of production low, 54 ; not a sure standard of cost of labor, 54
Rates of wages, advance in unprotected arts, proves that our prosperity does not depend on tariff, 100
Ration of German soldier in active service, 189
Rations, cost abroad, 202 ; cost of, in Berlin, 202
Ration-work, price of, in Michigan, Iowa, and Nebraska, 190
Receipts, what the miscellaneous permanent consist of, 18
Reciprocal Free Trade between Great Britain, Canada, and United States, future of, 188
Reciprocity, additional treaties of, 275 ; *Dreibund*, treaty established, 174 ; in trade between Austria, Italy, Germany, Switzerland, Belgium, 44 ; Republican measures for, 72 ; treaties between Germany, Austria, and Italy, 105; works for peace, 44 ; with Canada, 105
Reductions in duty under last tariff bill, 19
Reed, Thomas B., cannot state "Principle of Protection," 83
Religious, commercial, wars compared, 108
"Report on Manufactures," 116
Republican, party, view of bounties, 258 ; platform, tariff plank in, 251 ; tariff plank revolutionary, xvii

Republicans, and Democrats differ merely as to time and method of tariff reform, 61 ; should be compelled to adhere to terms of resolution, xii
Revenue, cost of, derived from taxation on articles of common consumption, 6 ; derived from taxes on crude materials could be spared, 143; derived from taxes on crude products, 143 ; derived from taxing crude materials, 143 ; duties will increase with increase of consumption, 31 ; ends where Protection begins, 117 ; excess constant source of danger, 46; excess from liquors and tobacco in 1893 and 1894 will suffice to cover increase in pensions, 22 ; excess from liquors and tobacco in 1893 may be applied to pensions, 125 ; from liquors and tobacco, 18 ; from liquors and tobacco exceeds disbursements for civil service, 17 ; from liquors and tobacco in 1893, 125 ; from liquors and tobacco, 1871–1891, 19 ; from miscellaneous permanent receipts exceeds interest on public debt, 17 ; from permanent receipts, liquors and tobacco sufficient to cover all government expenses, except pensions, 17 ; ignored in Republican tariff plank, 251 ; increased from advance in rates on tin-plates, wool, and machinery, 20 ; necessity for, hence necessity for tax, 74 ; principal source of government, 17 ; probable excess in 1892, 19 ; probable excess of, 22 ; probable, from liquors and tobacco in fiscal year ending June 30, 1892, 19 ; public, should be limited to necessary expenses of Government, 46 ; sufficient for pension roll can be derived by taxing luxuries, 127
Rhenish Prussia, cost of production of wheat in, 102
Rich, enabled to pick pockets of poor, 213 ; rich richer, poor poorer under British protective system, 36
Rivers, expenditures for, in 1890, 1891, 11
Robbery, legal, done under forms of law, and called taxation, 117
Russia, famine-stricken, 44, 109 ; starving ; evil effect of tax on sheet-iron, 135 ; Sweden, Norway, non-competitors in supplies to non-machine-using nations, 173
Russia's position in use of machinery, 171

S

Salaries of chief United States officials and assistants, 40
Sault St. Marie Canal, traffic now exceeds traffic of Suez Canal, 108, 152
Sausage, German, importance of, 179
Savings-banks, profit secured to factory operatives by, 157
Science and invention, effective application of, 172
Scrip, use of, 207
Sedan, victory at, 179
Self-binder and reaper reduces price of harvesting wheat, 101
Senate, Finance Committee, report on income and expenditures, 201 ; next, will probably sustain judicious method of tariff reduction, 70
Senators and Members of Congress, beggarly compensation of, 39
Sheeting standard, wages fifty years ago and to-day compared, 167
Shelter of our people, manufacture of buildings, 151
Sherman, bill will probably be repealed, 250 ; Senator John, defines the "Principle of Protection," 82, 83
Ship-builders, machinists, etc., our, forbidden to compete on even terms, 140 ; our, hindered, 139
Shipping on Great Lakes surpasses in tonnage that between London and Liverpool, 137
Shoddy-cloth mills replace milling wheat under McKinley act, 197
Silks, woollens, and cottons, increase of duties on, 254
Silver, agitation caused by difficulty in sales of excess of farm products, 142 ; bi-metallism and free coinage,

Silver—*Continued.*
205 ; bullion, price affected by tax, 247 ; bullion, price of, 238 ; bullion, price paid for purchase of, 239 ; bullion purchase, taxation for, 8 ; dollar compared to gold, 209 ; dollar, its worth, 209 ; dollar, present, bad money, 241 ; dollar, present value, 238 ; dollars, free coinage of, would imperil unit of value, 244 ; dollars, how maintained at parity with gold, 244 ; dollars, result of free coinage of, 228 ; foreign demand, how met, 245 ; free coinage of, absurd argument of advocates of, 238 ; free coinage would endanger commerce, 219 ; mines, men of both parties unite to defeat efforts of owners of, 113 ; mines, petty product of, 219 ; -mining States, demand of, 240 ; pig-iron, and wool dominate Congress, 120 ; question discussed before the British Association in 1887, 100 ; question, division upon, *not* a party one, 250 ; result of free coinage of, 239 ; result of tax upon, proposed by Chauncey Smith, 245 ; standard, result of single, 244 ; value of, 49 ; why should it not be taxed ? 244
Sinking-fund act a juggle in bookkeeping, 20
Slaughtering and meat-packing, 97
Slavery, value of the abolition of, 148
Smith's, Chauncey, project for maintaining silver at parity with gold, 242 ; testimony upon superior productive power of American workman, 186
"Smothered in our own grease," 58, 149
Socialism, mild, views in regard to State possession of property, 1
Socialistic or communistic acts limiting hours of labor or methods of payment, 104
Soldiers' Homes, support of, 11
Solicitor-General, salary of, 40
Southern States, no protection required for mining ore or establishment of textile factories, 148
South, needs of, to-day, 209
Sovereign, weight of, 233
Specie payment, resumption of, 228
Standard of value, danger of impairing, 205
Standing army of United States, 187
State, Banks' tax, 217 ; Department, cost of, 11 ; possesses no property but public buildings and public lands, 2
Statesman's Year Book for 1891, 110 ; 1892, 185
Statistical data, value of, in Vol. XX, census of 1880, 167
Statistics of manufactures found in census, 96
Steel, abnormal profits in manufacture of Bessemer *not* due to protection, 99
Suez Canal, traffic compared to Sault St. Marie Canal, 108, 152
Sugar, added to free list, 62 ; -bounty clause, argument for, 114 ; duties have always had effect of bounties, 116 ; heavy investments in plant, 116 ; -planters, bounty to, 253, 254
Summary of Chapters I–XXIV, 181
Supreme Court, defines principle of taxation, 24 ; judges, salary of, 40 ; justifies protective tariff, 114 ; no longer a co-ordinate branch of government, 117
Surplus, writer's estimate of, differs from computations of Secretary of Treasury, 21
Switzerland, benefit of untaxed tinplate to, 133

T

Tariff, a minor force, 266 ; act of 1824, 63 ; act may be reached by reasonable compromise, 129 ; acts, bad form of, 34 ; acts since 1861 all objectionable, 70 ; and currency debates in *Congressional Record*, 263 ; for "protection," effect of, 122 ; framed to raise or maintain prices unjust, 46 ; high, cost of, 131 ; how it should be reformed, 22 ; McKinley, *see* McKinley tariff, act, bill ; measure, simple to pre-

Tariff—*Continued.*
pare, 24; Morrill, of 1861, 157; *not* distinct from tax or duty, 2; one of minor forces affecting condition of country, 103; our, framed to obstruct imports from Great Britain, 178; of 1824, 63; of 1842, 267; protective, of 1842 in United States enacted year of Peel's reform, 48; "Free-Trade," of 1846, 266; of 1846, 266; of 1857, 268; of 1861, 157; of 1867, 72; of 1883, 78; of 1890, *see* McKinley tariff act, 1890; McKinley tariff, *see* McKinley; on Canadian products depresses price, 194; plank in Republican platform, 251; present, many specifications inoperative, 130; question, difficulty in dealing with, v; question should be removed from party politics, 73; question less important than currency, 273; reduction, neither party has presented a perfect measure for, 69; reduction would follow Republican tariff plank if consistently carried out, 253

Tariff reform, advocates err in demanding radical revolution, 129; continuation of both parties in, 113; danger in injudicious methods of, 59; in Great Britain, effect of first measure not immediately perceptible, 37; method of, 57; in Great Britain, first decisive step in, 33; judicious, two measures necessary, 59, 60; necessary to remove obstructions to trade, 266; needed, concentration upon a definite plan of reduction, 23; Peel's method the proper one, 38; Peel's second great act, 37; promoted by removing unimportant duties, simplifying commerce, 23; should begin by making crude materials free, 146

Tariff reformers should question Republican candidates, xvii; resolution in Republican platform, xi

Tariff system, grave dangers would ensue from bad methods of change, 267; war, three attempts to reform it, 24; why a cause of disruption, 113

Taxation, ability of this country to bear perversion of, 57; accustoms people to artificial support, 155; aggregate of compared to product, 3; and revenue derived therefrom, 12; *and Work*, motive of, 261; and work, names for same thing, 5, 259; and work same thing, 12; burden of, how measured, 135; burden of, as borne by different classes, 5; comparative, elements considered, 42; depresses price of pig-iron, 195; diminishes general product, 155; direct and indirect, vii; discrimination must be used in choice of subjects of, 74; discrimination should be used in framing measures, 61; establishes disparity in cost of crude materials, 155; fundamental principles of, 72; judicious selection of subjects necessary for tariff reform, 60; limitations, set forth by Justice Miller, 25; measured by work, 69; must rest on principle, 80; of crude products unjust, 46; one method of distributing annual product, 2; our burden compared to Great Britain's, 188; our burden of, though light, is badly adjusted, 44; our burden of, very light, 8; principle of, defined by Supreme Court, 24; ratio of all, to product, 8; re-distribution of burden of, 35; reduces price of our crops, 155; robbery, in case of bounties to aid private enterprises, 117; should be framed to protect American workman, 61; simple and effective system will halve burden of, 154; sure method of raising valuation, 243; system must be simple, 73; unlawful, may be imposed by legal measures, 185

Tax, burden of, how measured, 131; defined, 122; demand for work, 4; most destructive form of, 205; *not* put on other countries, 139; on finished products, cost of, 140; on silver, how it might be imposed, 246; on silver, how it should be levied, 248; on tin-plate reduces wages, 134; power to, defined by Justice Miller, 24; upon State banks, 217; various definitions of, 2

Taxes, and armies, great burden of, 109; evils of, 27; municipal and national, compared, v; not put upon others, 256; paid by people which government does *not* receive, 28; received by government all paid by people, 2; that people pay government must receive, 73
Tea, coffee, sugar, remission of duties on, 78
Tenure of office, no assurance of, during efficient and honest service, 41
Textile, fabrics, and metal industries, stimulated by tariff, have had no excessive profits, 99; consumption of, 153; fabrics, duties on, 26
Thompson, Professor Robert Ellis, sustains policy of Protection, 85; his ground contested, 87
Timber, our supremacy in product of, 148
Tin-plate, additional cost of, under McKinley tariff, 65; arguments of Senators in favor of tax on, 131; effect of abatement of tax on, 133; industry loathsome and undesirable, 65; tax "no burden!" 131; tax, true burden estimated, 132
Tin-plates, futile attempt to establish manufacture of, 124; great advantage to farmer and canner when tax is removed, 62; tax on, cuts off Great Britain's means of payment for our products, 66
Tobacco, and wool, only agricultural products of Pennsylvania which could be imported, 55; tax upon, raises price to consumer, 243
Tonnage moved by rail, 1890, 221
Tons moved over railways in 1882 and 1890 compared, 215, 216
Trade, and Free Trade defined, 121; and transportation, number employed in, 53, 227; bad effect of interference with, 66; immense volume of, endangered by project for free coinage, 226; volume of, 220
Transactions, measure of business, 225
Treasurer of the United States, salary of, 40
Treasury Department, cost of, 11

U

Uncle Sam asked what he has done with product of people's work, 10
Under-fed Europeans, how they can buy our products, 191
Unholy Alliance of Pig-Iron, Wool, and Silver, 173
Union Pacific R. R. sinking-fund, 11
United States, and Canada, competition with Great Britain in supply of non-machine-using nations, 171; facilities for export of machine-made goods, 172; material welfare of, 276; *now* leads in application of machinery to production, 171; value of product, 110
Unit of value, will of the people on, 73

V

Vespucci, Amerigo, 108
Vice-President, salary of, 40

W

Wages, abroad and at home, what is exact difference? xiv; advance in, *not* due to high tariff, 95; advance in rates since 1880, 169; and prices, statistics in census of 1880, 166; Cairnes' theory of, 161; effect of our tariff upon foreign, 269; Francis A. Walker's theory of, 161; fund, misconception of, 160; high rates of, correlative of production of goods at low cost, 84; increase in rates of, since 1880, 94; in Europe lower, cost of labor higher, 187; in manufacture of agricultural implements, 96; in Nova Scotia and New Brunswick compared to Maine, 198; lower in protected than unprotected arts, 99; maintenance of rate depends upon financial stability, 228; Protection does not raise, 93; purchasing power in food, 203; rates of, in Great Britain,

Wages—*Continued.*
182 ; rates of, rest upon adequacy of food supply, 177 ; rates of, we should not seek to equalize, 54 ; rise stimulated by manufacturing activity, 23 ; steady rise in, ix ; we can pay highest, 184
Wagons, price in 1860 and 1880, 168
Wales, tin-plate workers in, 65
Walker, Francis A., theory of wages, 161 ; Robert J., framer of tariff of 1846, 267
War-burden, effects of tremendous, 109 ; mostly incurred by attempts to restrict commerce, 108 ; upon Germany, Austria, and Italy, 43
"War of all against all" the tendency of isolation by high tariffs, 174
War tax, European, computed in terms of work, 43 ; measured in money, 42
War of 1812, effect on trade, 47
Waste of misdirected taxation, 154
Wealth, and poverty sharply contrasted in Great Britain in 1840, 35 ; assured in inverse proportion to natural resources, 157
Webster, Daniel, defence of Free Trade in 1820, 118 ; defender of Constitution, 119 ; great speech on Free Trade at Faneuil Hall, 47 ; later sustains protective policy, 49 ; on "foreign paupers," 192 ; opposes protective system in debate with Clay, 48
Weeks, Joseph D., thorough work on statistics of wages and prices, 166
Wells, David, A., upon disparity in cost of pig-iron to American consumers, 29
Wheat, average price of, in Mark Lane between 1870–1887, 102 ; California, produced at highest rates of wages, lowest cost of production, 164 ; Canadian, 196 ; cost of production compared to rate of wages, 102 ; cost on Western farms, 102 ; export of, replaced by flour, 101 ; gain between 1873–1887, 102 ; labor cost in barrel of flour 1860 and 1880, 168 ; margin of profit controls export trade, 134 ; place of production changed, 164 ; present price per quarter, 102 ; reduction in charges of handling and moving, 102 ; reduction in price on account of competition of United States with Great Britain, 101
Whig party, Republicans compared to, 258
Wilson, Wm. L., work on the Mills tariff bill, 69
Women, arduous field work in Europe, 186
Working community, average product of, 3
Workman, ill-nourished in Europe, 190 ; receives here increasing share of increased product, 162
Workman's money must be equal to banker's money, 73
Workmen should be considered before capitalists, 46
Work required to support all who perform government work, 7
World's commerce, centre might be transferred to this continent, 231 ; centre of, 231
World's Exchanges, The, 233
Wool, and cotton, useful fabrics should be exempt from taxation, 153 ; and woollens, present provisions of McKinley bill on, 77 ; and woollens, tariff on, xiii ; and woollen tariff, 76 ; and woollen tariff, former arguments against, 63 ; believed that duty on foreign, would protect domestic wool-grower, 77 ; duty on foreign, depresses domestic, 94 ; effect of duty on, 30 ; effect of obstruction of import, 30 ; effect of tax upon, 141 ; effect of various high tariffs on price of, 63 ; hemp, flax, and other fibres put on free list in the Mills bill, 69 ; injured by "protective" tax, 63 ; labor cost unknown, xvi ; must be separately treated in tariff legislation, 92 ; must go in free list, xvi ; pig-iron, and silver, representatives of, make use of Republican party, 253 ; price of domestic, advances under freer trade, 63 ; put in free list in Great Britain by Huskisson, 33 ; reason of attempt to exclude foreign, 181 ; Texan, compared with Australian,

Wool—*Continued.*
xvi; value of, 49; why duty lowers price, 30
Woollen and worsted, fabrics, *ad-valorem* duty on, 77; fabrics, increased import of, 124; manufactures in 1890, report on, 91
Woollen, manufacturers argue against duty on wool before Ways and Means Committee, 77; manufactures, specific compensatory duty upon, 77; trade, balance of industry explained in, 64
Wright, Col. Carroll D., facts about iron and steel industry not disclosed to, xvi; investigations on rate of wages and cost of labor, viii; on wages and cost of subsistence abroad, 200; work on Seventh Report of Department of Labor, 204

LIBRARY OF CONGRESS
0 029 765 017 8